Omaha Public Power District

*444 South 16th Street Mall*
*Omaha, NE 68102-2247*

April 2, 2010
LIC-10-0021

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

Reference: Docket No. 50-285

**SUBJECT: 2009 Annual Report**

In accordance with 10 CFR 50.71(b), enclosed please find one copy of the 2009 Omaha Public Power District (OPPD) Annual Report.

If you should have any questions, please contact Mr. Bill R. Hansher at (402) 533-6894.

No commitments to the NRC are made in this letter.

Sincerely,

T. C. Matthews
Manager - Nuclear Licensing

TCM/mle

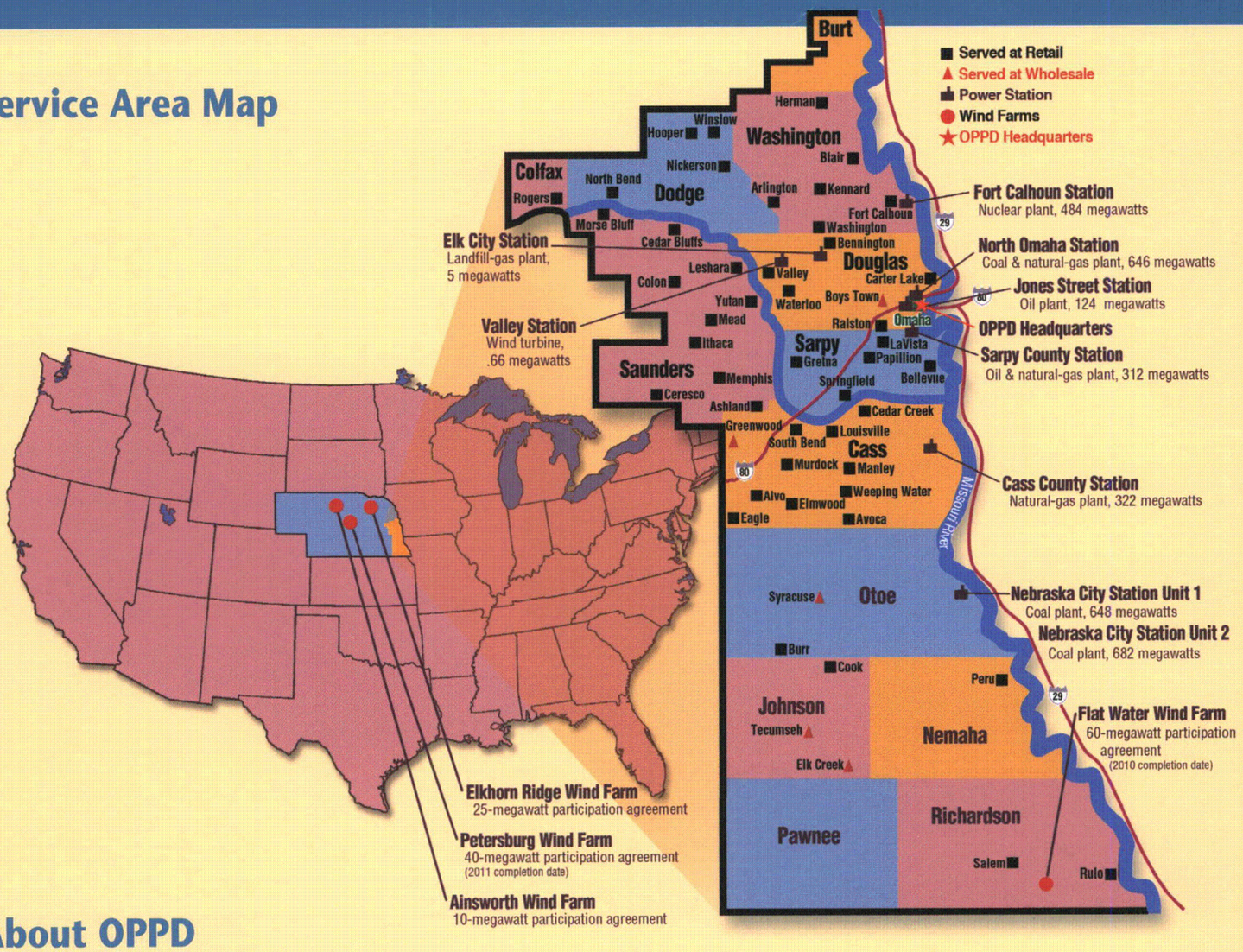
Enclosure: OPPD Annual Report

c: E. E. Collins, NRC Regional Administrator, Region IV
L. E. Wilkins, NRC Project Manager
J. C. Kirkland, NRC Senior Resident Inspector

A001
NRR


OPPD
Omaha Public Power District
maha, Nebraska
138

## Service Area Map




## About OPPD

OPPD is a publicly owned electric utility in eastern Nebraska that serves a population of 765,000 people, more than any other electric utility in the state.

North Omaha Station and Nebraska City Station, both coal-fired plants, and Fort Calhoun Station, a nuclear plant, provide the majority of the power used in OPPD's 5,000-square-mile service territory. OPPD's baseload plants are augmented by three peaking plants and renewable energy resources, including landfill gas and wind turbines. Nebraska City Station Unit 2, a 682-megawatt coal-fired plant began operation in 2009.

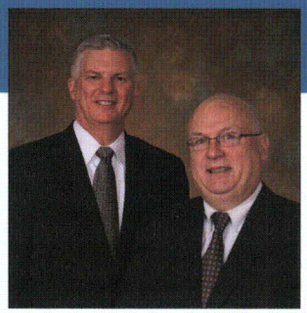
## Contents



**On the cover:** On Christmas day, Bruce Hamel trudges through knee-high snow to run a temporary line to a house in west Omaha. Bruce, a trouble-shooter, was assisted by Jeff Hansen.

*Your*

# Chairman and CEO Message



W. Gary Gates and John K. Green

OPPD got back to the basics this past year, as the economy posed challenges for the utility and many of our customers across all sectors.

Regionally, the economy drove down the price of power we sell into the market. The hit delivered by the economy was further intensified by higher rail transportation and coal costs. These factors resulted in a substantial decrease in margins from off-system sales.

It was a challenging time for OPPD, but employees worked together to cut costs. OPPD adopted the Continuous Process Improvement/Lean methodology, an operational strategy geared toward reviewing processes by optimizing value-added activities and eliminating waste. Initially, 19 employees were trained to facilitate the effort throughout OPPD. Although in its early stages of implementation, Lean is already showing results, including:

- Improved customer outage notification for OPPD-initiated work, which will result in reduced overtime costs.
- Streamlined hiring, recruiting and on-boarding process, resulting in a 50 percent reduction in the time previously needed to hire staff, which significantly improved the tools for the hiring managers.

OPPD Lean facilitators, as well as employees in all areas, continue to work on projects that will improve operations and favorably impact our bottom line.

OPPD took other aggressive steps to control costs, such as the following:

- Reduced overtime (non-outage and non-storm-related) by 25 percent for a $2.8 million savings.
- Changed the way OPPD manages coal piles and future nuclear fuel reloads, saving and deferring millions of dollars.
- Enforced hiring restrictions and reduced travel.
- Closed two customer service offices, consolidated some other offices and promoted more cost-effective and time-saving online services for customers.

While going through the process of reducing operating costs and improving efficiency, we were reminded of our core strengths – an experienced workforce with bright ideas, strong infrastructure and equipment, and a solid business plan that looks well into the future.

For example, OPPD announced a plan to significantly boost its renewable energy. We set a target to have 10 percent of the energy we provide produced from renewable resources by 2020. OPPD plans to add some 400 megawatts (MW) of renewable energy to our portfolio of power, with around 100 MW of that coming in the next few years in the form of additional wind generation.

An extended power uprate project at Fort Calhoun Station, our nuclear plant, is key to providing additional carbon-free generation. The 17 percent power uprate will add approximately 75 MW following the fall 2012 refueling outage. And knowing that a diverse fuel mix makes good business sense, we continue to invest in our coal and natural-gas units. In fact, the completion of Nebraska City Station Unit 2 (NC2) last year marked the addition of OPPD's first major baseload plant in 30 years. NC2, which adds another 682.2 MW, was completed on time and under budget, providing a great value for customers. OPPD is using half of the output, and the remaining half is going to seven other public power and municipal utilities participating in the project.

OPPD also joined the Southwest Power Pool (SPP), a regional transmission organization, in 2009 in an ongoing effort to address essential transmission issues and more efficient operation of the electric grid.

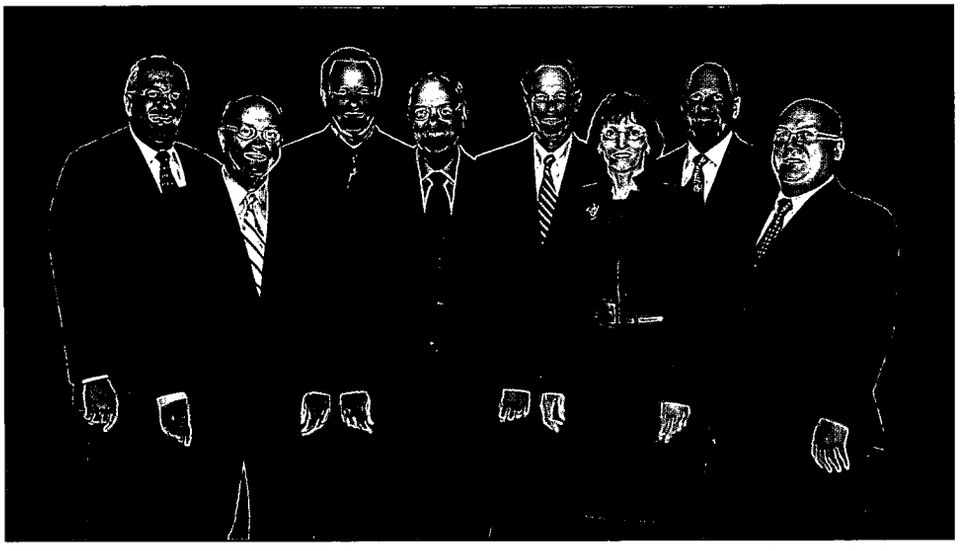
As always, employees handled major challenges in 2009, and that was evident at the end of the year when a series of storms kept crews busy restoring power over the holidays. Such an engaged workforce is good for operations, and OPPD continued to work on improving employee engagement. Receipt of our ninth consecutive J.D. Power & Associates recognition gives us reason to believe employees care a great deal about customer satisfaction, and that brings us great pride. OPPD again ranked highest among mid-size utilities in the Midwest in J.D. Power's 2009 Electric Utility Residential Customer Satisfaction Study℠. We won't rest on our laurels; instead, we will continue to raise the bar higher.

We had our work cut out for us last year, and we took strong steps to face our challenges head-on. We thank our employees, management and our board of directors for all of their efforts. We move forward with confidence.

W. Gary Gates
President and CEO

John K. Green
Chairman of the Board

## Board of Directors



The OPPD Board of Directors includes, from the left: Frederick J. Ulrich, Del D. Weber, Michael J. Cavanaugh, John R. Thompson, N.P. Dodge Jr., Anne L. McGuire, Geoffrey C. Hall and John K. Green.

**John K. Green**
Chairman of the Board
Attorney at Law

**N.P. Dodge Jr.**
Vice Chairman of the Board
President, N.P. Dodge Company

**John R. Thompson**
Treasurer
Land Developer

**Michael J. Cavanaugh**
Secretary
Police Lieutenant,
City of Omaha (Retired);
Real Estate Investor - Manager

**Geoffrey C. Hall**
Board Member
Attorney at Law

**Anne L. McGuire**
Board Member
Nurse Educator (Retired)

**Frederick J. Ulrich**
Board Member
Farmer, Cattle Feeder

**Del D. Weber**
Board Member
Chancellor Emeritus,
University of Nebraska at Omaha

## Senior Management

The OPPD senior management team includes, from the left: Mohamad I. Doghman, Jon T. Hansen, Edward E. Easterlin, W. Gary Gates, Adrian J. Minks, Timothy J. Burke and David J. Bannister.

**W. Gary Gates**
President,
Chief Executive Officer

**David J. Bannister**
Vice President – Nuclear
Chief Nuclear Officer
*Assistant Secretary*

**Edward E. Easterlin**
Vice President – Financial Services
Chief Financial Officer
*Assistant Treasurer, Assistant Secretary*

**Timothy J. Burke**
Vice President – Employee and Customer Relations
*Assistant Secretary*

**Mohamad I. Doghman**
Vice President – Transmission and Distribution Engineering and Operations
*Assistant Secretary*

**Jon T. Hansen**
Vice President – Energy Production and Marketing
*Assistant Secretary*

**Adrian J. Minks**
Vice President – Essential Services
*Assistant Secretary*

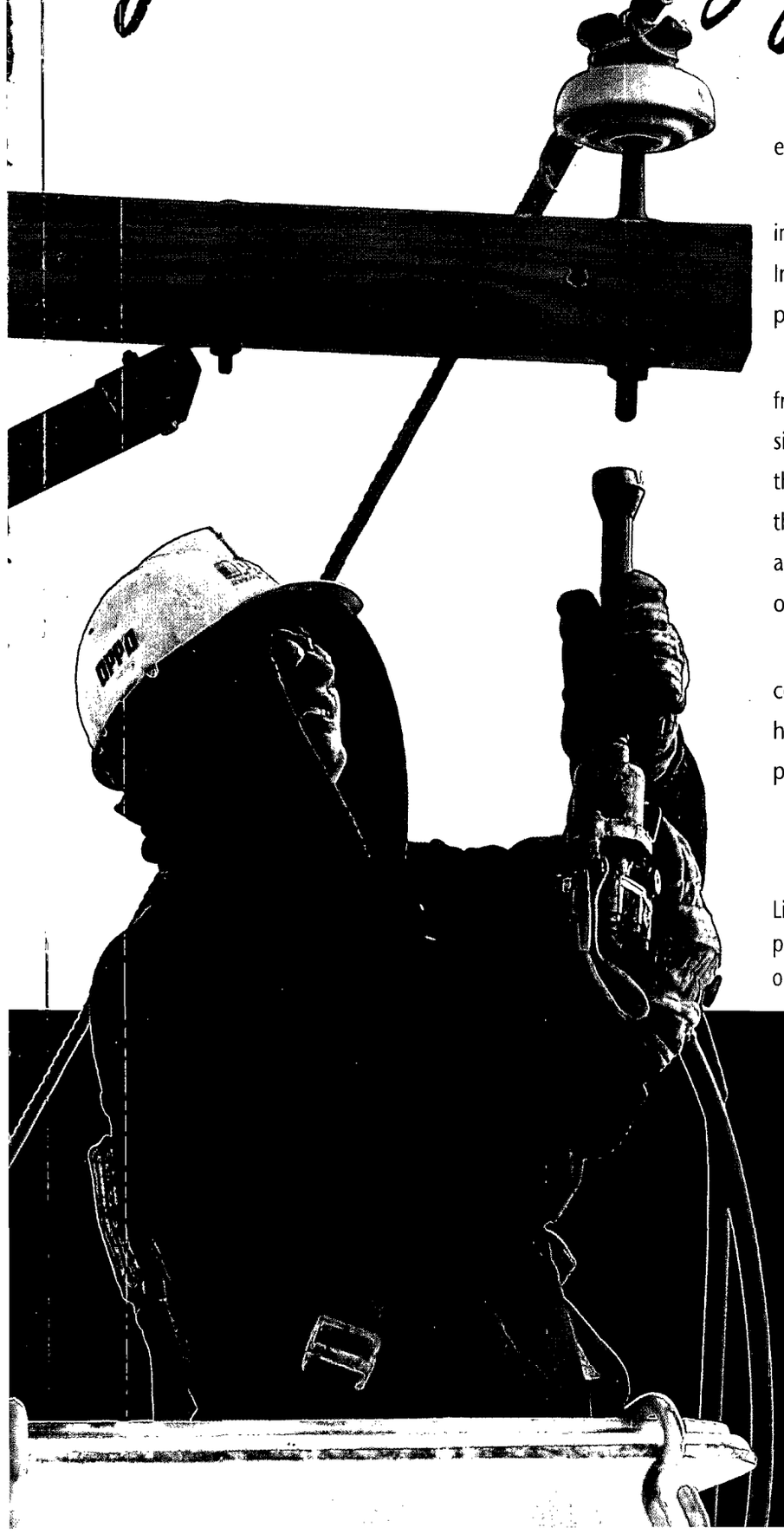
# Your Energy Partner

We have come to depend on electricity for just about everything we do.

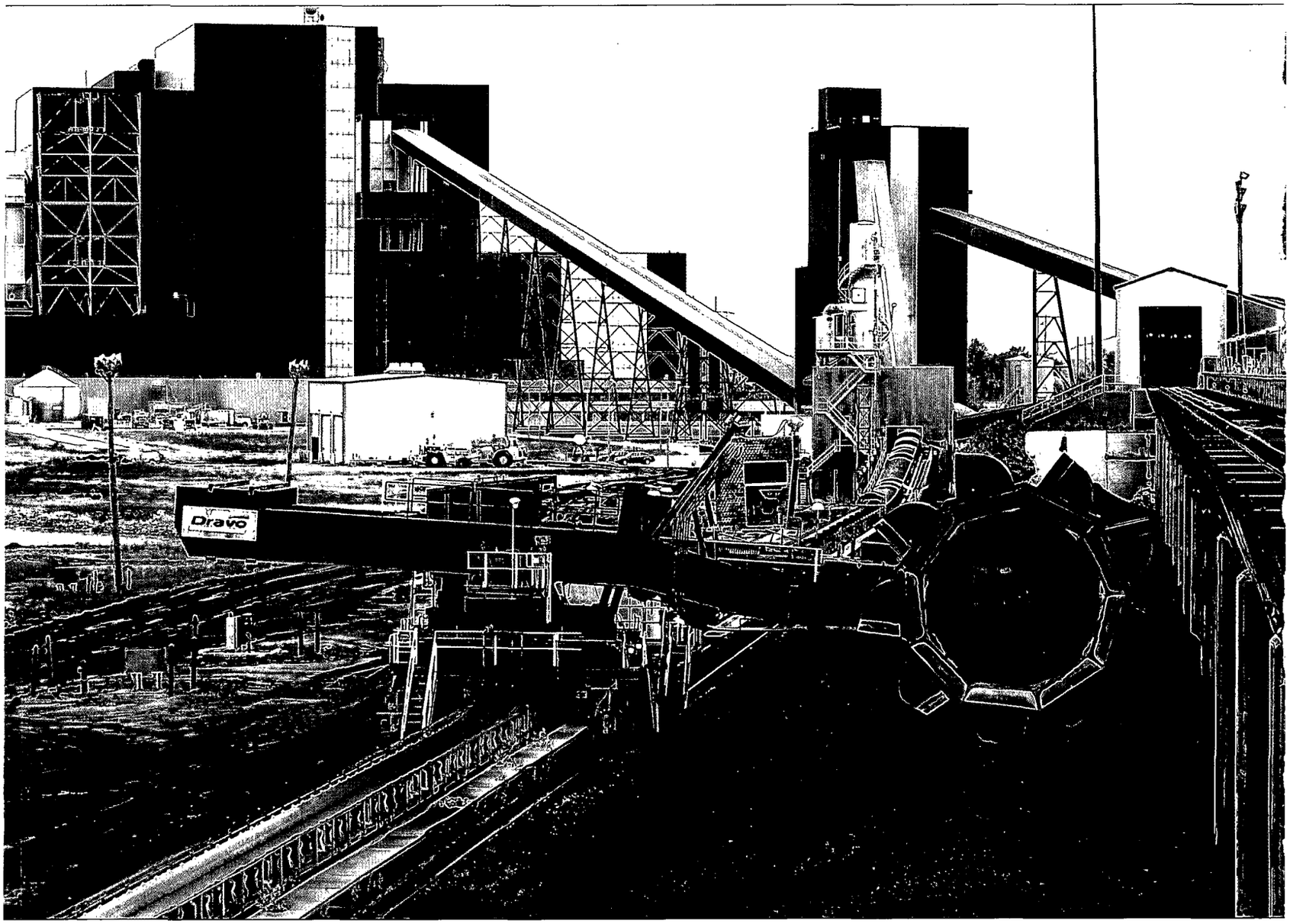
Use of electricity in the United States has quadrupled in the past 70 years, according to the Edison Electric Institute. Electricity drives our nation's economy and powers technologies that enhance our quality of life.

Many new products get their allure and functionality from that burst of electricity – the high-definition television in the family room, the touch-screen appliances in the kitchen and the myriad of electronic equipment in the home office. In business and industry, electronics and automated equipment streamline operations and open new avenues of opportunity.

As dependence on our product grows, so does our commitment to providing that valuable resource. We have a common goal and proudly serve as your energy partner.




Line technician Chad Mefford uses a hydraulic drill to rebuild a power pole following a November storm. More than 150 poles or cross arms were damaged or destroyed in the south rural area.




For the first time in nearly three decades, OPPD brought a major baseload generating unit online in 2009. Nebraska City Station Unit 2 added another 682.2 megawatts (MW), giving OPPD 3,223.9 MW of generating capability.

Omaha Public Power District holds firmly to its original mission of providing reliable, affordable service to our customers. We want customers to have power when they need it. That might mean working through frosty cold temperatures to rebuild power lines brought down by thick ice or pouring through schematics to ensure a new commercial customer will have enough service for their eventual load. Taking care of business – we do that first and foremost.

Reliable. Affordable. We do everything in our power to make sure that Omaha Public Power District can meet our customers' power needs with affordable electricity. Experience has taught us that a diverse fuel mix, well-maintained equipment and an engaged workforce are essential to providing that reliability and affordability.

# FIRST & F

A diverse fuel mix protects electric companies and consumers from contingencies, such as fuel unavailability, price fluctuations and changes in regulatory practices. OPPD uses primarily coal and nuclear fuel, with natural gas, oil, landfill gas and wind rounding out the mix. OPPD's interest in renewable energy has grown in recent years due to environmental advantages and concerns, as well as the prospect of regulatory actions that could impact pricing on other fuels.

In 2009, OPPD established a goal of having 10 percent of our total energy provided in the form of renewables by 2020. Building on OPPD's current wind generation, the utility is planning to purchase 100 megawatts more by the end of 2011. OPPD continues to use natural gas and oil at its combustion turbine peaking units, often selling excess generation at a profit, offsetting costs for our customer-owners.

Maintaining generating units and transmission and distribution systems requires commitment from a skilled workforce. Routinely. Continually.

That effort took to the sky in 2009 as workers performed high-line maintenance on more than 1,100 transmission towers stretching across Nebraska from the Kansas-Missouri border to the Iowa border. Helicopters transported the crews as they replaced deteriorating wooden knee braces with steel ones. The braces support the cross-arms on the structures, which carry up to 345,000 volts of electricity. The airlift allowed the work to be done quickly and efficiently, while the lines were energized.

System reliability. Cost-efficiently. That's how we get power to our people.

Specially trained contractors replaced equipment on OPPD transmission towers. A helicopter transported the workers from tower to tower.

OPPD's Renee Jacobsen and Dave Vogtman of HearthStone Homes check insulation on a home being built to ENERGY STAR specifications.

As your energy partner, Omaha Public Power District has a stake in the success of our customers. We provide services that are tested, proven and worthwhile. Some target homeowners, others are geared toward commercial, industrial or rural customers. Whether they flip the switch so the kids can have light to do homework or so the surgical team can operate on the patient, the power is essential. We must be tried and true.

Buying a home is usually the biggest purchase a person makes in his or her lifetime. And when building a new home, there are even more considerations for ensuring the home will stand the test of time.

Effective insulation. Tight construction and ducts. Efficient heating and cooling equipment. Energy-efficient windows, lighting and appliances. That checklist is standard for builders in OPPD's 13-county service territory who are partnering with OPPD's ENERGY STAR-qualified homes program. Homes that earn the ENERGY STAR certification meet

# T R I E D

rigorous guidelines for energy efficiency. These homes are at least 15 percent more energy-efficient than homes built to the 2004 International Residential Code. Additional energy-saving features boost that efficiency to 20 to 30 percent more than the standard home.

In 2009, 813 ENERGY-STAR-rated homes were built in OPPD's territory, bringing the total since the program began in 2006 to 1,402 homes. That's a lot of energy savings, a lot of energy efficiency. Conscientious contractors. Happy homeowners. Solid structures.

For its efforts with the program, OPPD was recognized by the U.S. Environmental Protection Agency with a 2009 ENERGY STAR Leadership in Housing Award.

OPPD understands that small business, commercial and industrial customers also want to use their electricity as efficiently as possible. A team of account executives, electrical service designers, energy advisors and customer care representatives are among those employees charged with making sure we are responsive to these customers and their needs.

Commercial and industrial customers will save hundreds of thousands of dollars each year, thanks to a lighting incentive program piloted by OPPD in 2009 and extended into 2010. The program gives monetary incentives to such customers for revamping their lighting with more energy-efficient systems. Such increased energy efficiency helps all OPPD customers by delaying the need to build new power plants. With lighting accounting for up to 40 percent of a commercial building's energy consumption, improved efficiency can make a big dent in the energy budget.

Investing. Incenting. Turning ideas into solid solutions.

A group of employees has crafted OPPD's approach to the wind for export issue, making sure issues and costs are addressed in the Nebraska unicameral in a way that doesn't harm customer-owners. Some team members include John Thurber, Larry Ciecior, Jay Anderson, Marc Nichols and Deeno Boosalis.

Young professionals like Julie Bissen, Corey Bedford, Matt Hardebeck and Joel Robles hold the future of OPPD in their hands. OPPD celebrated 63 years of service in 2009.

Providing such an essential service requires the best and brightest. At Omaha Public Power District, we give credit where it is due – to our workforce. It's the nuclear engineers who developed a testing method that saves millions of dollars. It's the technology person who masters the software to help our computer systems run smoothly. It's the energy advisor or electrical service designer who helps customers use their energy dollars more wisely. The best and the brightest, that's who we've tapped.

A decade of patient, painstaking work paid off handsomely for an OPPD team headed by Bob Lisowyj, project manager of Materials Engineering at OPPD's Fort Calhoun Station, and Zoran Kuljis, principal engineer at WesDyne. WesDyne is a global supplier of inspection services for the power industry.

Bob and Zoran devised a method to accurately assess the susceptibility of stainless steel

# BEST & B

and nickel-based alloys to stress-corrosion cracking. Stainless steels are key components in parts inside nuclear reactors. Stress corrosion can take 20 to 25 years to manifest itself. Even then, it's hard to spot, requiring an array of advanced testing. Interpreting data. Studying possibilities. Inquisitive. Creative.

As a result of the work, OPPD saved $7 million at Fort Calhoun Station in 2009 because testing showed the nuclear reactor components did not have cracks, the components did not have the possibility of imminent cracking, and thus they did *not* need to be replaced. For developing the scientific principles, Bob and his team received the Nuclear Energy Institute's "Best of the Best" top industry practice award, topping 135 other practices that were submitted.

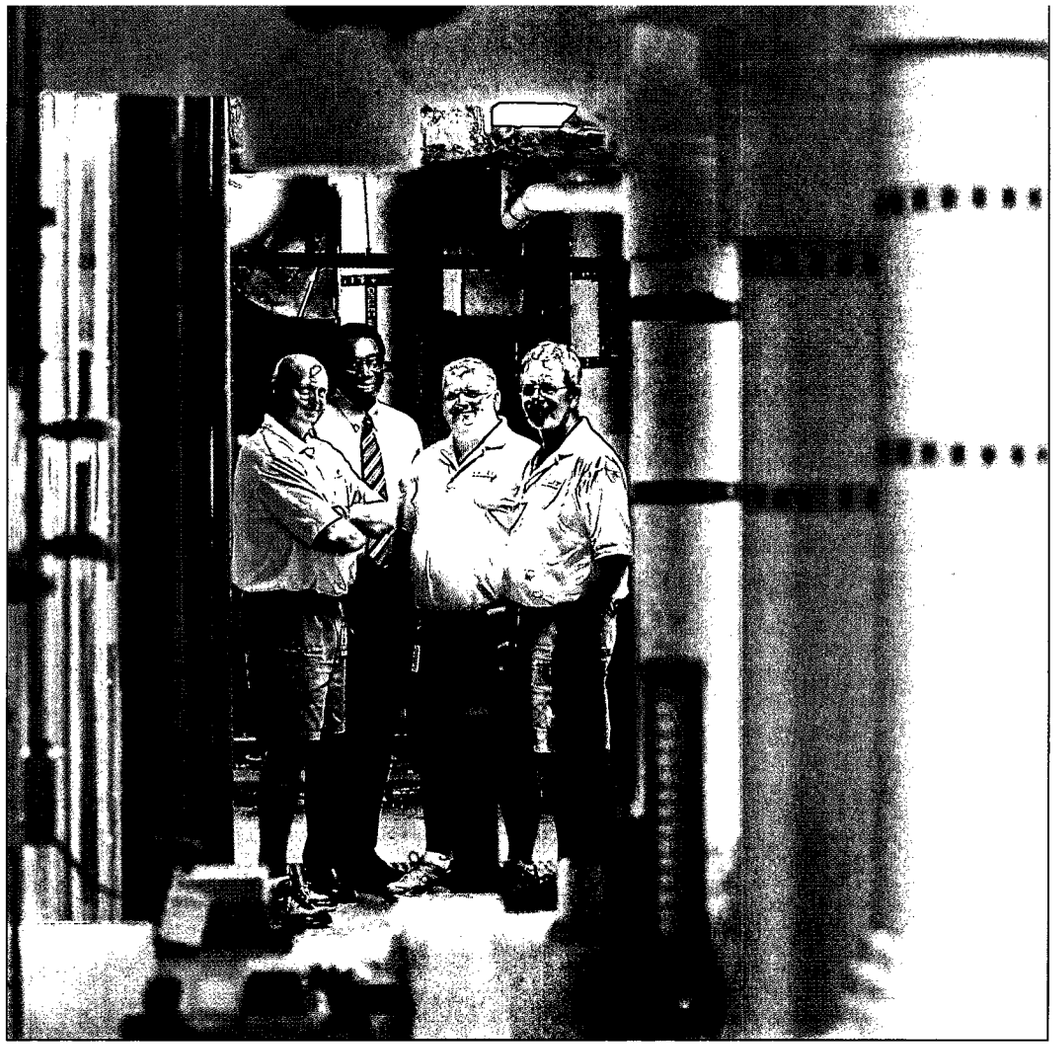
The best. The brightest. That's who OPPD searches for as it looks to replace the seasoned employees who have spent their careers at OPPD. Like Howard Dixon, OPPD's first African American line technician, who gave 40 years to the utility. Most of those years were in System Protection, troubleshooting, repairing controls and circuits, and communicating with engineers and field workers to make sure everyone was on the same page. Putting it on the line for customers. Looking out for each other.

Recruiting efforts in 2009 touted "the power of orange" – playing off our orange logo – and a welcoming, challenging work environment. Familiarity. Originality. Working for the common good of "the family."


Bob Lisowyj accepted the Nuclear Energy Institute's Best of the Best award on behalf of OPPD. Bob was singled out for his role in developing the scientific principles to monitor stress-corrosion cracking.

RIGHTEST

*Your Energy Partner*



In 2009, OPPD presented its J.M. Harding Award of Excellence to Gallup for its energy-management efforts at their campus and operational headquarters in Omaha. Gallup greatly reduced electricity demand and electricity and gas consumption. Energy-saving improvements to the air-handling units and chilled and condensed water pumps resulted in savings, too. Gallup building maintenance personnel, from the left in white shirts, Darin League, Mick Morock and Bruce Rieckman, meet with OPPD Account Executive Mark Purnell.

Living and learning. When you get right down to it, isn't that why we are all here? Sometimes life brings good things our way, sometimes it brings challenges. Haiti is more than 2,300 miles from Omaha, but it seemed much closer once the news reports and Internet brought us face to face with the devastation of the earthquake. While a couple of employees' wives boarded a charter plane to provide their nursing skills to the victims, OPPD employees donated thousands of dollars to the American Red Cross for the relief effort. Partners look out for each other.

Imagine a trio of friends spending hours moving a recycling receptacle up and down a street, popping themselves in and out of it. Step by step. Patience and perfection to get what they needed, frame by frame. It paid off as the high school girls were one of three winning teams in OPPD's Project GreenFlick video competition in 2009. The competition for high school students asked only that entries focus on energy efficiency, renewable energy or recycling – aiming green – and not exceed two minutes.

Simply done, but effective, this educational video peppered recycling statistics among footage of students playfully riding around their neighborhood in the recycling bin. Living. Learning. Sharing the results.

# LIVE &

OPPD used the contest as a springboard into social media, uploading the videos to YouTube through OPPD's aimgreenomaha.com site. OPPD also began using Twitter and Facebook. These new avenues allowed OPPD to enhance customer service efforts with immediate communication to customers about customer service issues, products and promotions, sustainability, and storm and outage information. Always thinking. Always looking for ways to improve.

In 2009, we also exceeded the $3 million mark for our Energy Assistance Program (EAP). The EAP helps people in need with energy-related expenses. In 2009, OPPD raised $271,000 for EAP, with $59,000 of that coming from employee fundraising efforts. With the economy stretching the budgets of many customers and increased demand for energy assistance, we looked for new ways to engage employees in this effort. A round-up for change lunchroom campaign – along with an online auction, a community walk for warmth and jeans days – resulted in nearly 20 percent more from employees.

Comprehending. Caring. Making the job worthwhile.

December snowstorms kept crews busy battling ice, wind and snow. Many customers had kind words for employees who sacrificed time away from their families over the holidays to safely restore power.

# L E A R N

*Your Energy Partner*

# Statistics

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Utility Plant** (at year end) (in thousands of dollars) | **4,678,449** | 4,561,815 | 4,259,501 | 4,166,997 | 3,656,433 | 3,363,909 | 3,224,851 | 3,081,073 | 2,876,799 | 2,735,437 |
| **Total Indebtedness** (at year end) (in thousands of dollars) | **1,937,704** | 1,902,403 | 1,866,472 | 1,565,807 | 1,133,171 | 894,020 | 939,972 | 844,141 | 739,290 | 774,049 |
| **Operating Revenues** (in thousands of dollars) | | | | | | | | | | |
| Residential | **292,887** | 271,935 | 267,042 | 249,174 | 237,798 | 211,913 | 208,426 | 214,447 | 202,984 | 196,923 |
| Commercial | **265,668** | 238,496 | 228,060 | 213,314 | 204,314 | 194,684 | 189,820 | 189,786 | 188,734 | 178,711 |
| Industrial | **139,865** | 109,827 | 100,239 | 94,109 | 90,344 | 90,987 | 85,406 | 75,946 | 76,197 | 75,976 |
| Off-System Sales | **158,354** | 127,676 | 110,399 | 96,500 | 120,030 | 109,523 | 108,795 | 65,885 | 91,045 | 110,300 |
| Unbilled Revenues | **7,449** | 3,391 | 1,742 | 2,527 | 630 | (1,134) | 4,086 | (1,268) | 104 | 2,541 |
| Provision for Rate Stabilization | — | — | — | — | — | — | — | (10,500) | (5,000) | (11,500) |
| Provision for Debt Retirement | **13,000** | 20,000 | 27,000 | (15,000) | — | (55,000) | (35,000) | — | — | — |
| Other Electric Revenues | **22,743** | 16,648 | 15,771 | 36,204 | 13,436 | 15,342 | 11,541 | 11,357 | 14,731 | 14,238 |
| Total | **899,966** | 787,973 | 750,253 | 676,828 | 666,552 | 566,315 | 573,074 | 545,653 | 568,795 | 567,189 |
| **Operations & Maintenance Expenses** (in thousands of dollars) | **653,993** | 561,396 | 508,524 | 461,101 | 447,270 | 401,778 | 404,040 | 339,750 | 353,767 | 345,378 |
| **Payments in Lieu of Taxes** (in thousands of dollars) | **24,810** | 22,426 | 21,398 | 20,241 | 19,693 | 18,591 | 18,067 | 18,553 | 18,234 | 17,645 |
| **Net Operating Revenues before Depreciation, Amortization and Decommissioning** (in thousands of dollars) | **221,163** | 204,151 | 220,331 | 195,486 | 199,589 | 145,946 | 150,967 | 187,350 | 196,794 | 204,166 |
| **Net Income** (in thousands of dollars) | **46,557** | 79,186 | 89,489 | 84,290 | 82,171 | 24,844 | 25,878 | 80,621 | 69,867 | 70,850 |
| **Energy Sales** (in megawatt-hours) | | | | | | | | | | |
| Residential | **3,361,672** | 3,486,858 | 3,546,116 | 3,374,053 | 3,356,196 | 3,054,576 | 3,079,589 | 3,151,895 | 3,065,377 | 2,880,289 |
| Commercial | **3,672,982** | 3,758,853 | 3,750,634 | 3,577,436 | 3,535,036 | 3,369,713 | 3,347,214 | 3,353,621 | 3,362,665 | 3,179,103 |
| Industrial | **3,039,396** | 2,877,282 | 2,759,087 | 2,664,743 | 2,644,634 | 2,630,038 | 2,561,569 | 2,290,368 | 2,302,311 | 2,287,966 |
| Off-System Sales | **5,534,803** | 3,003,888 | 2,858,004 | 2,486,483 | 2,502,433 | 3,646,043 | 3,775,362 | 3,273,359 | 3,952,632 | 4,208,943 |
| Unbilled Sales | **74,416** | 50,374 | 13,858 | 9,628 | 21,285 | 6,890 | 61,165 | (23,697) | (5,268) | 52,739 |
| Total | **15,683,269** | 13,177,255 | 12,927,699 | 12,112,343 | 12,059,584 | 12,707,260 | 12,824,899 | 12,045,546 | 12,677,717 | 12,609,040 |
| **Number of Customers** (average per year) | | | | | | | | | | |
| Residential | **299,813** | 296,648 | 293,642 | 289,713 | 282,310 | 275,854 | 270,579 | 266,464 | 261,286 | 256,541 |
| Commercial | **43,134** | 42,867 | 42,214 | 41,488 | 40,665 | 39,834 | 38,961 | 38,401 | 37,563 | 36,631 |
| Industrial | **151** | 142 | 134 | 132 | 133 | 135 | 127 | 117 | 116 | 110 |
| Off-System | **34** | 32 | 35 | 37 | 39 | 45 | 48 | 54 | 49 | 49 |
| Total | **343,132** | 339,689 | 336,025 | 331,370 | 323,147 | 315,868 | 309,715 | 305,036 | 299,014 | 293,331 |
| **Cents Per kWh** (average) | | | | | | | | | | |
| Residential | **8.77** | 7.82 | 7.51 | 7.40 | 7.07 | 6.95 | 6.73 | 6.81 | 6.63 | 6.84 |
| Commercial | **7.29** | 6.36 | 6.07 | 5.99 | 5.77 | 5.76 | 5.69 | 5.41 | 5.38 | 5.37 |
| Industrial | **4.62** | 3.82 | 3.64 | 3.55 | 3.46 | 3.40 | 3.39 | 3.32 | 3.32 | 3.32 |
| Retail | **6.96** | 6.13 | 5.93 | 5.81 | 5.58 | 5.48 | 5.39 | 5.46 | 5.36 | 5.41 |
| **Generating Capability** (at year end) (in megawatts) | **3,223.9** | 2,548.8 | 2,548.8 | 2,544.1 | 2,542.5 | 2,540.5 | 2,540.5 | 2,220.5 | 2,205.0 | 2,203.0 |
| **System Peak Load** (in megawatts) | **2,316.4** | 2,181.1 | 2,197.4 | 2,271.9 | 2,223.3 | 2,143.8 | 2,144.8 | 2,037.4 | 1,994.1 | 1,976.9 |
| **Net System Requirements** (in megawatt-hours) | | | | | | | | | | |
| Generated | **15,263,983** | 12,477,032 | 12,274,660 | 11,341,827 | 11,180,808 | 12,235,044 | 12,000,873 | 11,428,893 | 11,516,924 | 11,760,938 |
| Purchased and Net Interchanged | **(4,627,627)** | (1,864,214) | (1,738,833) | (1,268,780) | (1,148,903) | (2,716,242) | (2,557,981) | (2,122,701) | (2,557,704) | (2,833,243) |
| Net | **10,636,356** | 10,612,818 | 10,535,827 | 10,073,047 | 10,031,905 | 9,518,802 | 9,442,892 | 9,306,192 | 8,959,220 | 8,927,695 |

# Investor Relations and Corporate Information

**Corporate Headquarters**
*Energy Plaza*
*444 South 16th Street Mall*
*Omaha, Nebraska 68102-2247*
*402-636-2000*
*www.oppd.com*

**General Counsel**
*Fraser Stryker PC LLO*
*Omaha, Nebraska*

**Financial Advisor**
*Barclays Capital Inc.*
*New York, New York*

**Consulting Engineer**
*R.W. Beck, Inc.*
*Seattle, Washington*

**Independent Auditors**
*Deloitte & Touche LLP*
*Omaha, Nebraska*

**Bond Counsel**
*Kutak Rock LLP*
*Omaha, Nebraska*

## Commercial Paper Holders

**Issuing and Paying Agent**
*The Bank of New York Mellon Trust Company, N.A.*
*New York, New York*

## Senior and Subordinate Bondholders

You may contact OPPD with questions about OPPD debt at:

*Finance & Investor Relations*
*Omaha Public Power District*
*444 South 16th Street Mall*
*Omaha, NE 68102-2247*
*e-mail: finfo@oppd.com*
*402-636-3286*

**Senior and Subordinate Debt Trustee**
*The Bank of New York Mellon Trust Company, N.A.*
*New York, New York*

**Senior and Subordinate Debt Paying Agents**
*The Bank of New York Mellon Trust Company, N.A.*
*Chicago, Illinois*
*New York, New York*

*Wells Fargo Bank, N.A.*
*Omaha, Nebraska*

The Trustee and Paying Agent on OPPD's Senior Lien Debt, Subordinated Revenue Bonds and Separate System Revenue Bonds is The Bank of New York Mellon Trust Company, N.A. You may contact The Bank of New York Mellon Trust Company, N.A. directly at:

*The Bank of New York Mellon Trust Company, N.A.*
*Corporate Trust Division*
*2 North LaSalle Street, Suite 1020*
*Chicago, Illinois 60602*

*Email: corporate.bond.research@bankofny.com*
*Bondholder Relations: 800-254-2826*

## OPPD Minibond Holders

OPPD is the Paying Agent, Transfer Agent and Registrar on OPPD's Minibonds. OPPD Minibond Administration provides information and assistance to Minibond holders regarding:

- *Interest Payments*
  Interest on Current Interest-Bearing Minibonds is paid on April 1 and October 1 of each year.
- *Ownership Transfer*
  Minibond Transfer Information Forms can be obtained via www.oppd.com or by contacting the Minibond Administrator, listed below.
- *Optional Early Redemption*
- *Replacement of Lost Minibond Certificate*

**Minibond Administrator**
You may contact the Minibond Administrator at:

*Finance & Investor Relations*
*Omaha Public Power District*
*444 South 16th Street Mall*
*Omaha, NE 68102-2247*
*Email: minibonds@oppd.com*
*Omaha, Nebraska area*
*402-636-3286*
*Outstate Nebraska*
*800-428-5584*

## Available Financial Information

In compliance with Securities and Exchange Commission Rule 15c2-12, information regarding OPPD is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System. Copies of its most recent annual reports, interim reports and official statements also are available upon request at **finfo@oppd.com** or at the following address:
*Finance Division*
*Omaha Public Power District*
*444 South 16th Street Mall*
*Omaha, NE 68102-2247*

Financial information in the annual report also is available at

your energy partner®

Omaha Public Power District

Energy Plaza
444 South 16th Street Mall
Omaha, Nebraska 68102-2247

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A business-managed, publicly owned electric utility
An Equal Opportunity Employer

*Your Energy Partner*

2009 Annual Report

Omaha Public Power District

# *Financial Report*

## Contents



your energy partner®

OPPD

Omaha Public Power District

# Management's Discussion and Analysis (Unaudited)

## OVERVIEW

The Omaha Public Power District (OPPD or Company) is a fully integrated electric utility serving a 5,000-square-mile, 13-county region in eastern Nebraska. All corporate powers are vested in a Board of Directors consisting of eight members representing specific geographical areas of the service territory. Revenues are provided from the sale of electricity, both retail and off-system, and the sales of other electric products and services. The economy of the service territory is relatively stable, and the latest report to the Governor and Legislature does not support deregulation of the electric industry in Nebraska. Corporate headquarters is located in Omaha, Nebraska, with generating plants, service centers and customer service offices strategically located throughout the service territory.

One of the most significant events in 2009 was the placement of Nebraska City Station Unit 2 in commercial operation on May 1. The new unit is a 682.2-megawatt (MW) coal facility adjacent to the Nebraska City Station Unit 1. This unit was completed on time and under budget. Half of the output is used to serve OPPD retail customers and the other half is sold off-system through Participation Power Agreements with seven public power and municipal utilities in Nebraska, Missouri and Minnesota. This unit employs the newest technologies, and customers realize benefits through lower production costs from sharing common facilities with the Nebraska City Station Unit 1. The addition of Nebraska City Station Unit 2 resulted in an increase in the amount of energy sold off-system and a decrease in the amount of purchased power when compared to the prior year.

This was a challenging year. Although the volume of off-system sales was significantly higher, the market prices were substantially lower than the prior year. In addition, substantial increases in the cost of coal and coal transportation resulted in significantly higher fuel expenses. Reduced off-system sales margins and higher fuel costs are expected to be a challenge going forward.

OPPD strives to maximize the public power advantage of low electric rates. Cost reductions are being identified and implemented in all areas of the Company to help offset the increased fuel costs and reduced off-system sales margins. However, even with these cost reductions, additional revenues are needed to meet future operating requirements.

Revenues derived from off-system sales were set aside during prior years and placed in the Debt Retirement Reserve to help meet future economic challenges. This Reserve is currently being used to help mitigate rate adjustments to retail customers. In 2009, $13 million of this Reserve was used, which was $14 million less than planned. Using only $13 million in 2009 leaves more to help meet economic challenges in upcoming years. After consideration of cost and revenue options, a rate adjustment of 4.9 percent and a Fuel and Purchased Power Adjustment (FPPA) were implemented in January 2010. FPPA adjustments are common in utilities and provide for an efficient manner to make adjustments for increases or decreases in fuel and purchased power costs. Retail electric rates remain well below the national average.

OPPD continues to monitor the legislative, environmental and business climate of the region and the nation. While trying to help shape national policy in the best interest of customers, the Company is being positioned for potential changes. One of the ways the Company is preparing for the future is by adding renewable sources to its energy portfolio. A goal of providing 10 percent of the energy needed to serve retail loads from renewable sources by 2020 has been established. This goal will help ensure that we are prepared for future changes in legislation on renewable portfolio standards and carbon emissions. Contracts have been executed with the Nebraska Public Power District to purchase wind energy from facilities in Bloomfield and Ainsworth, Nebraska. In addition, agreements have been reached with Flat Water Wind Farm LLC and TPW Petersburg LLC to supply energy from wind farms in Richardson and Boone counties in Nebraska, respectively. Other projects are also being reviewed to expand the portfolio of renewable energy sources.

Several programs have been developed to promote the reduction of energy usage by customers. The Commercial Lighting Rebate and Residential Lighting programs were introduced this year, and several more are planned. These programs support OPPD's goal of reducing customer demand by 50 MW by 2012. Several changes also have been made to enhance environmental stewardship throughout the Company, including facility lighting modifications, the use of bio-diesel fuel and the acquisition of hybrid vehicles.

The business climate in the region is expanding at an annual growth rate lower than originally projected. Customer-owners face many challenges in these difficult economic times. The Company recognizes that electricity is essential to the health and well-being of customers and the community and remains committed, as your energy partner, to exceeding customer expectations for reliability, cost, service and citizenship.

## USING THIS FINANCIAL REPORT

This Financial Report includes this Management's Discussion and Analysis, Financial Statements and Notes to the Financial Statements. The basic Financial Statements consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Equity and the Statement of Cash Flows. The Financial Statements have been prepared in accordance with generally accepted accounting principles for proprietary funds of governmental entities.

***Management's Discussion and Analysis (MD&A)*** – This information provides an objective and easily readable analysis of OPPD's financial activities based on currently known facts, decisions or conditions. In the MD&A, financial managers present both short- and long-term analyses of the Company's activities. The unaudited MD&A should be read in conjunction with the Financial Statements and related Notes. This document contains forward-looking statements based on current plans.

***Balance Sheet*** – This statement reports all financial and capital resources (assets) and obligations (liabilities). The difference between assets and liabilities is equity. This statement also provides the basis for evaluating the capital structure and assessing liquidity and financial flexibility.

***Statement of Revenues, Expenses and Changes in Equity*** – All revenues and expenses are accounted for in this statement. This statement measures the activities for the year and can be used to determine whether the rates, fees and other charges are adequate to recover expenses.

***Statement of Cash Flows*** – This statement reports all cash receipts and payments summarized by net changes in cash from operating, capital and related finance, and investing activities.

***Notes to the Financial Statements*** – These Notes provide additional detailed information to support the Financial Statements.

## FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following summarizes OPPD's financial position at December 31 (in thousands).

| Condensed Balance Sheets | 2009 | 2008 |
|---|---|---|
| Capital Assets | $3,136,045 | $3,056,127 |
| Other Long-Term Assets | 529,302 | 507,302 |
| Current Assets | 564,966 | 605,931 |
| Total Assets | $4,230,313 | $4,169,360 |
| Long-Term Liabilities | $2,178,660 | $2,273,712 |
| Current Liabilities | 386,657 | 277,209 |
| Total Liabilities | 2,565,317 | 2,550,921 |
| Equity | 1,664,996 | 1,618,439 |
| Total Liabilities and Equity | $4,230,313 | $4,169,360 |

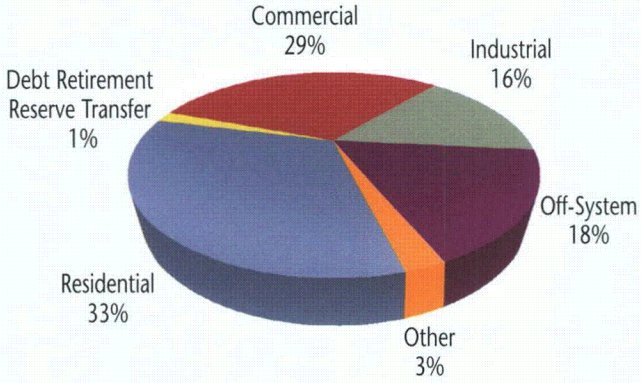
The following summarizes OPPD's operating results for the years ended December 31 (in thousands).

| Operating Results | 2009 | 2008 | 2007 |
|---|---|---|---|
| Operating Revenues | $899,966 | $787,973 | $750,253 |
| Operating Expenses | (793,390) | (687,620) | (632,675) |
| Operating Income | 106,576 | 100,353 | 117,578 |
| Other Income | 26,578 | 63,189 | 55,280 |
| Interest Expense | (86,597) | (84,356) | (83,369) |
| Net Income | $ 46,557 | $ 79,186 | $ 89,489 |

## Operating Revenues

The following chart illustrates the percentage share of revenue by customer class for 2009. Other electric revenues include connection charges, customers' forfeited discounts, rent from electric property, wheeling fees and miscellaneous revenues.

**Operating Revenues - 2009**




### 2009 Compared to 2008

Total operating revenues were $899,966,000 for 2009, an increase of $111,993,000 or 14.2% over 2008 operating revenues of $787,973,000.

- The increase in 2009 total operating revenues compared to 2008 was mainly due to higher retail prices and off-system sales volume.
- Prior to the net increase of $13,000,000 for 2009 and $20,000,000 for 2008 from the Debt Retirement Reserve, revenues from retail sales were $705,869,000 for 2009, an increase of $82,220,000 or 13.2% over 2008 revenues of $623,649,000. This increase in retail revenues was primarily due to the implementation of a rate adjustment on January 1, 2009.
- Revenues from off-system sales were $158,354,000 for 2009, an increase of $30,678,000 or 24.0% over 2008 revenues of $127,676,000. The increase was primarily due to higher sales volume including sales to Nebraska City Station Unit 2 participants. Gains from the higher sales volume were partially offset by significantly lower prices in 2009.
- Other electric revenues were $22,743,000 for 2009, an increase of $6,095,000 or 36.6% over 2008 revenues of $16,648,000. This increase was primarily due to an increase in wheeling fees from increased off-system energy sales transactions.

### 2008 Compared to 2007

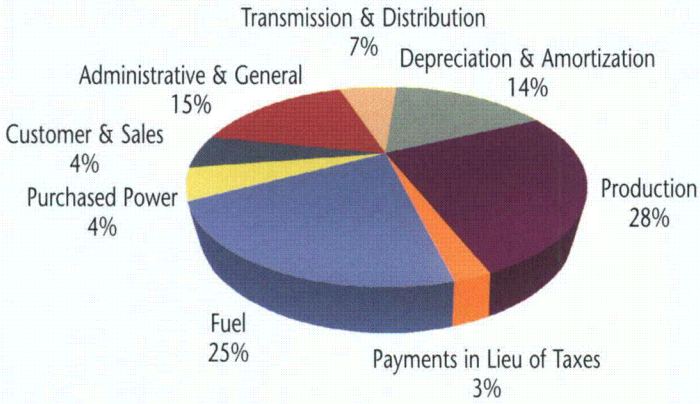
Total operating revenues were $787,973,000 for 2008, an increase of $37,720,000 or 5.0% over 2007 operating revenues of $750,253,000.

- The increase in 2008 total operating revenues compared to 2007 was mainly due to higher retail and off-system sales volume and a rate adjustment.
- Prior to the net increase of $20,000,000 for 2008 and $27,000,000 for 2007 from the Debt Retirement Reserve, revenues from retail sales were $623,649,000 for 2008, an increase of $26,566,000 or 4.4% over 2007 revenues of $597,083,000. This increase in retail revenues was primarily due to the implementation of a rate adjustment on January 1, 2008, and increased energy sales in 2008 compared to 2007.
- Revenues from off-system sales were $127,676,000 for 2008, an increase of $17,277,000 or 15.6% over 2007 revenues of $110,399,000. The increase was primarily due to higher sales volume.
- Other electric revenues were $16,648,000 for 2008, an increase of $877,000 or 5.6% over 2007 revenues of $15,771,000.

## Operating Expenses

The following chart illustrates the percentage share of operating expenses by expense classification for 2009.

### Operating Expenses - 2009




### 2009 Compared to 2008

Total operating expenses were $793,390,000 for 2009, an increase of $105,770,000 or 15.4% over 2008 operating expenses of $687,620,000.

- Fuel expense increased $83,378,000 over 2008 primarily due to higher coal and coal-transportation costs and increased consumption due to additional generation.
- Production expense increased $30,416,000 over 2008 primarily due to costs related to the commercial operation of the Nebraska City Station Unit 2, increased generation and an extended outage at the Fort Calhoun Station.
- Administrative and General expense increased $11,524,000 over 2008 due to increased employee benefit costs.
- Purchased Power expense decreased $21,864,000 from 2008 due to lower energy prices and fewer energy purchases due to the availability of the Nebraska City Station Unit 2.

### 2008 Compared to 2007

Total operating expenses were $687,620,000 for 2008, an increase of $54,945,000 or 8.7% over 2007 operating expenses of $632,675,000.

- Production expense increased $30,204,000 over 2007 primarily due to higher expenses related to extended outages at the power stations.
- Transmission and Distribution expense increased $11,139,000 over 2007 primarily due to additional costs for repairs to the system from storms and planned upgrades to the system. Certain storm damage costs were partially reimbursed by the Federal Emergency Management Agency, and these reimbursements were included in Other Income.
- Purchased Power expense increased $8,233,000 over 2007 due to the increase in the price and volume of purchased power.

## Other Income

Other income, net of other expenses, was $26,578,000 in 2009, a decrease of $36,611,000 from 2008 other income of $63,189,000. Investment income was $17,075,000 lower in 2009 compared to 2008 primarily due to lower fund balances and interest rates. Allowance for Funds Used During Construction was $11,425,000 lower due to the completion of the Nebraska City Station Unit 2.

In 2009, contributions in aid of construction (CIAC) and the related offsetting expense, reduction of plant costs recovered through CIAC, were $5,487,000 lower than in 2008 primarily due to the completion of the Nebraska City Station Unit 2.

Other income, net of other expenses, was $63,189,000 in 2008, an increase of $7,909,000 over 2007 other income of $55,280,000. This includes reimbursements for storm damages from the Federal Emergency Management Agency of $9,871,000 for a series of summer storms.

In 2008, CIAC and the related offsetting expense, reduction of plant costs recovered through CIAC, were $31,394,000 lower than in 2007 primarily due to the Nebraska City Station Unit 2 project nearing completion.

OPPD offers a variety of products and services, which provide value both to the customer and the company. These products include Residential and Commercial Surge Protection, In-Home Electrical Protection Plan, Energy Information Services, and Geothermal Loop Heat Exchangers. Offering these products and services provides opportunities to build strong relationships with customers by helping them efficiently and economically meet their energy needs.

- Income from products and services was $2,446,000 for 2009, an increase of $44,000 over 2008 income of $2,402,000. This increase was primarily due to greater income from sales of the Residential Surge Protection product.
- Income from products and services was $2,402,000 for 2008, an increase of $344,000 over 2007 income of $2,058,000. This increase was primarily due to greater income from sales of the Residential Surge Protection and other products.

## Interest Expense

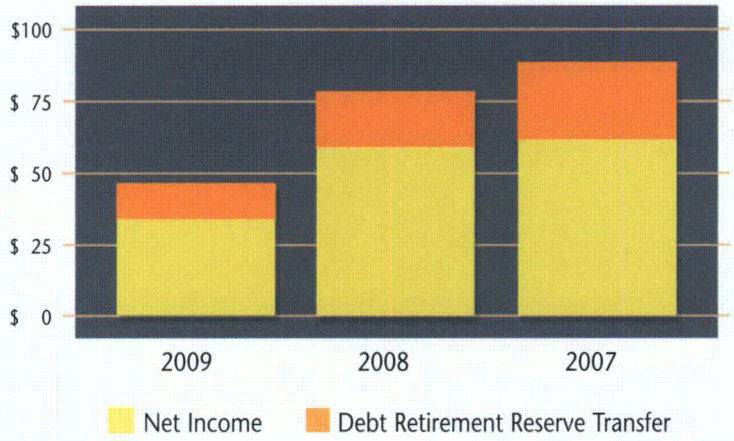
Interest expense was $86,597,000 for 2009, an increase of $2,241,000 over 2008 interest expense of $84,356,000. This increase was due to interest on additional borrowings.

Interest expense was $84,356,000 for 2008, an increase of $987,000 over 2007 interest expense of $83,369,000. This increase was due to interest on additional borrowings.

## Net Income

Net income, after revenue adjustments for changes to the Debt Retirement Reserve, was $46,557,000, $79,186,000 and $89,489,000 for 2009, 2008 and 2007, respectively. Operating revenues and net income were increased by $13,000,000, $20,000,000 and $27,000,000 for Debt Retirement Reserve amounts transferred in 2009, 2008 and 2007, respectively. The following chart illustrates the Net Income (in millions) for the past three years.

**Net Income**



## Number of Customers

OPPD has a stable, diverse customer base with a modest customer growth rate.

- The average number of customers served was 343,132 in 2009, an increase of 3,443 or 1.0% over the average number of customers for 2008 of 339,689.
- The average number of customers served was 339,689 in 2008, an increase of 3,664 or 1.1% over the average number of customers for 2007 of 336,025.

The following table shows the average number of customers by customer class.

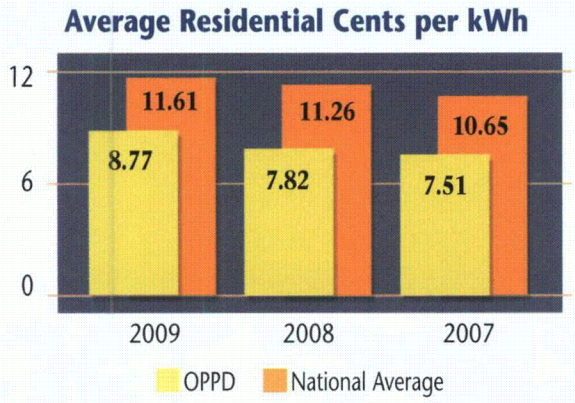
| Number of Customers | 2009 | 2008 | 2007 |
|---|---|---|---|
| Residential | 299,813 | 296,648 | 293,642 |
| Commercial | 43,134 | 42,867 | 42,214 |
| Industrial | 151 | 142 | 134 |
| Off-System | 34 | 32 | 35 |
| Total | 343,132 | 339,689 | 336,025 |

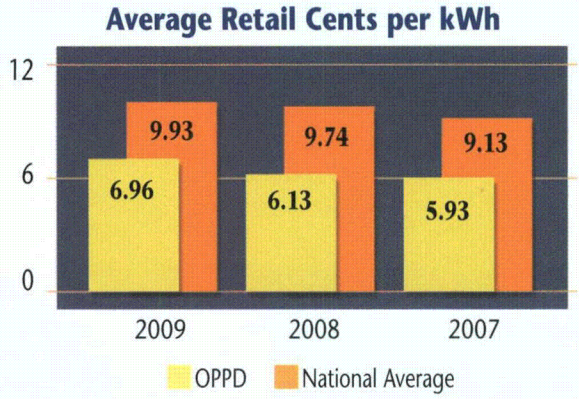
## Cents per kWh

OPPD is sensitive to rates charged and strives to maximize the public power advantage of low-cost energy for customers.

- Residential customers paid an average of 8.77, 7.82 and 7.51 cents per kWh in 2009, 2008 and 2007, respectively. The national average residential cents per kWh according to the Energy Information Administration (EIA), U.S. Department of Energy, was 11.61 for 2009 (preliminary year-to-date November 2009) and 11.26 and 10.65 cents per kWh for 2008 and 2007, respectively. Based on preliminary EIA data for 2009, OPPD residential rates were 24.5% below the national average.
- Retail customers paid an average of 6.96, 6.13 and 5.93 cents per kWh in 2009, 2008 and 2007, respectively. The national average retail cents per kWh according to the EIA, was 9.93 for 2009 (preliminary year-to-date November 2009) and 9.74 and 9.13 cents per kWh for 2008 and 2007, respectively. Based on preliminary EIA data for 2009, OPPD retail rates were 29.9% below the national average.

The following charts illustrate the Company's average residential and retail cents per kWh compared to the national average.




A Fuel and Transportation Cost Adjustment of 14.5% was implemented in 2009, and general rate adjustments of 3.0% and 2.8% were implemented in 2008 and 2007, respectively. OPPD also implemented a 1.0% rate adjustment in 2008 for projects related to renewable energy, energy conservation and environmental stewardship. The general rate adjustments were part of a revenue strategy to provide additional revenues to fund capital investments. A general rate adjustment of 4.9% was implemented effective January 1, 2010, to support increased operating costs. A Fuel and Purchased Power Adjustment was also added in 2010 to provide an efficient manner for the recovery of fuel and purchased power costs. Retail electric rates still remain well below the national average.

## CASH AND LIQUIDITY

OPPD has a high level of liquidity as a result of strong credit ratings, cost-containment programs, projects that provide returns in excess of the cost of capital, the Commercial Paper Program and maintaining target levels of working capital.

Bond offerings provide a significant source of liquidity for capital requirements not financed by cash from operations. The ability to obtain required capital at low interest rates has been a key reason for the success of the overall business plan for capital expenditures.

### Financing

OPPD has a financing plan which optimizes the debt mix to ensure liquidity needs are met and the Company's strong financial position is maintained.

In 2009, OPPD issued $85,000,000 of Electric System Revenue Bonds to finance capital expenditures. There were repayments of $35,450,000 of Electric System Revenue Bonds, $995,000 of Electric System Subordinated Revenue Bonds and $13,738,000 of Minibonds in 2009. The Company allowed its $50,000,000 Revolving Credit Agreement (RCA) to expire on December 31, 2009.

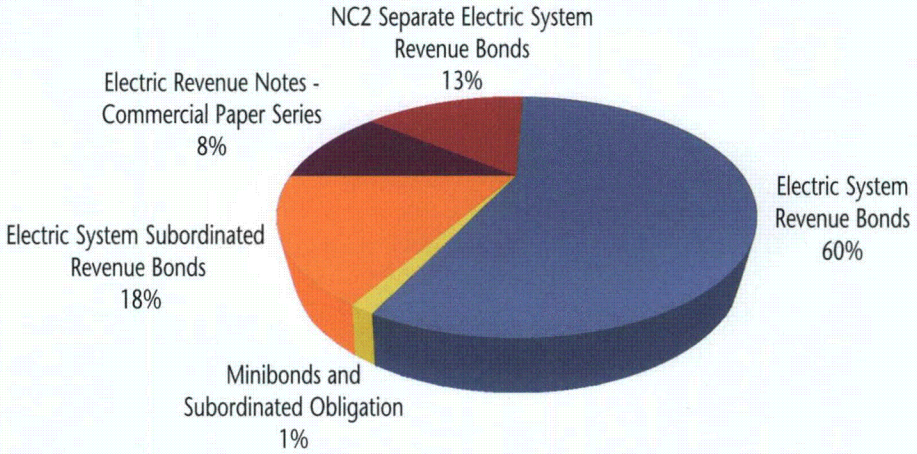
In 2008, OPPD issued $105,000,000 of Electric System Revenue Bonds to finance capital expenditures. There were repayments of $56,620,000 of Electric System Revenue Bonds, $385,000 of Electric System Subordinated Revenue Bonds and $12,487,000 of Minibonds and the defeasance of $21,340,000 of Electric System Revenue Bonds. The amount available to borrow under the RCA was reduced from $100,000,000 to $50,000,000. There were no amounts outstanding under the RCA at December 31, 2008.

In 2008, $21,000,000 of NC2 Separate Electric System Revenue Bonds were issued. The NC2 Separate Electric System is a half interest in the output of the new coal-fired unit, Nebraska City Station Unit 2, secured by revenues from Participation Agreements with seven public power and municipal utilities. Participants were given the choice to provide their own funds or to finance their respective funding requirements with separate system bonds issued by OPPD. The proceeds from the issuance of the NC2 Separate Electric System Revenue Bonds, together with additional funds provided by the participants, were used to pay the participants' portion of the construction costs of the Nebraska City Station Unit 2.

The 2010 financing plan includes the issuance of additional debt. OPPD is also reviewing its Commercial Paper Program to ensure it will remain a cost-effective financing option in the future.

The following chart illustrates the debt mix at December 31, 2009.

**Debt Mix**




### Ratings

OPPD's excellent bond ratings allow it to borrow funds at low rates. Both quantitative (financial strength) and qualitative (business and operating characteristics) factors are considered by the bond rating agencies in establishing a company's credit rating. The ratings received from Standard & Poor's Ratings Services (S&P) and Moody's Investors Service (Moody's), independent bond rating agencies for the latest bond issues, were among the highest ratings granted to electric utilities and confirm the agencies' assessment of the Company's strong ability to meet its debt service requirements.

The following ratings at December 31, 2009, are indicative of OPPD's solid financial strength.

| | S&P | Moody's |
|---|---|---|
| Electric System Revenue Bonds | AA | Aa1 |
| Electric System Subordinated Revenue Bonds (including PIBs) * | AA- | Aa2 |
| Electric Revenue Notes - Commercial Paper Series | A-1+ | P-1 |
| Minibonds * | AA- | Aa2 |
| NC2 Separate Electric System Revenue Bonds (2005A, 2006A) * | A | A1 |
| NC2 Separate Electric System Revenue Bonds (2008A) | A | A1 |

* *Payment of the principal and interest on the Electric System Subordinated Revenue Bonds, Minibonds and NC2 Separate Electric System Revenue Bonds 2005 Series A and 2006 Series A, when due, is insured by financial guaranty bond insurance policies. In 2008, rating agencies reduced the ratings of certain financial guaranty bond insurance companies. PIBs are Periodically Issued Bonds, which are another type of Electric System Subordinated Revenue Bond.*

On February 1, 2008, Moody's increased the rating on the Electric System Revenue Bonds to Aa1 and the underlying rating on the Electric System Subordinated Revenue Bonds to Aa2. Among the reasons cited by Moody's for the upgrade was the successful completion of the life-extension activities for the Fort Calhoun Station and the pending completion of the Nebraska City Station Unit 2, while meeting budget and schedule forecasts. Moody's noted that the plant upgrades positioned the Company to meet future energy needs at competitive costs. Additional factors for the new rating included a relatively low-risk capital structure, strong management team, stable financial and risk management practices, continued growth in the customer base and a stable service area economy. There are few electric utilities with a bond rating as high as OPPD's.

## Cash Flows

There was a net decrease in cash of $18,551,000 during 2009, a net increase in cash of $285,000 during 2008, and a net decrease in cash of $5,633,000 during 2007. The following table illustrates the cash flows by activities for the years ended December 31 (in thousands).

| Cash Flows | 2009 | 2008 | 2007 |
|---|---|---|---|
| Cash Flows from Operating Activities | $200,237 | $194,793 | $182,070 |
| Cash Flows from Capital and Financing Activities | (290,003) | (350,829) | (178,683) |
| Cash Flows from Investing Activities | 71,215 | 156,321 | (9,020) |
| Change in Cash and Cash Equivalents | $ (18,551) | $ 285 | $ (5,633) |

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities and other transactions that affect operating income.

- Cash flows for 2009 increased $5,444,000 over 2008 primarily due to higher retail prices resulting in an increase in cash received from customers. This increase was mostly offset by higher payments for operating expenses.
- Cash flows for 2008 increased $12,723,000 over 2007 primarily due to an increase in cash received from retail customers.

Cash flows from capital and related financing activities consist of transactions involving long-term debt and the acquisition and construction of capital assets.

- Cash flows used for 2009 decreased $60,826,000 from 2008 primarily due to fewer capital expenditures.
- Cash flows used for 2008 increased $172,146,000 over 2007 primarily due to fewer long-term borrowings.

Cash flows from investing activities consist of transactions involving purchases and maturities of investment securities and investment income.

- Cash flows for 2009 decreased $85,106,000 from 2008 primarily due to an increase in the purchases of investments and a decrease in the maturities and sales of investments.
- Cash flows for 2008 increased $165,341,000 over 2007 primarily due to a decrease in the purchases of investments.

## Debt Service Coverage for Electric System Revenue Bonds

OPPD's senior lien bond indenture provides that additional bonds may not be issued unless estimated net receipts for each future year shall equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued. The following table reflects the calculation of debt service coverage, indicating OPPD's solid ability to make required debt service payments on Electric System Revenue Bonds (in thousands). Transactions in 2009 for the NC2 Separate Electric System were not included because the Electric System Revenue Bonds are not secured by the Separate System.

| Debt Service Coverage | 2009 | 2008 | 2007 |
|---|---|---|---|
| Operating revenues [1] | $860,610 | $787,973 | $750,253 |
| Operations and maintenance expenses | (619,841) | (561,396) | (508,524) |
| Payments in lieu of taxes | (24,810) | (22,426) | (21,398) |
| Net operating revenues | 215,959 | 204,151 | 220,331 |
| Investment income of related reserve fund | 1,752 | 2,249 | 1,922 |
| Net receipts | $217,711 | $206,400 | $222,253 |
| Total debt service [2] | $ 91,278 | $ 85,184 | $ 97,821 |
| Debt service coverage | 2.38 | 2.42 | 2.27 |

[1] *Operating revenues were increased by $13,000,000, $20,000,000 and $27,000,000 for changes to the Debt Retirement Reserve for 2009, 2008 and 2007, respectively.*

[2] *Total debt service for the Electric System Revenue Bonds is accrued on a calendar-year basis similar to the computation of net receipts. Interest funded from bond proceeds, when applicable, is not included in total debt service.*

## Debt Ratio

The debt ratio is a measure of financial solvency and represents the share of debt to total capitalization (debt and equity). This ratio does not include the NC2 Separate Electric System debt since this debt is secured by revenues of the NC2 Participation Power Agreements. The debt ratio was 50.4% and 50.5% as of December 31, 2009 and 2008, respectively.

## Retirement Plan and Other Post Employment Benefits

Retirement and other post employment benefits (OPEB) are provided to retirees and surviving spouses. OPPD has been taking actions to help offset the rise in these costs with plan design changes, including the addition of a Cash Balance Option for the defined benefit Retirement Plan and the establishment of a separate plan for OPEB for employees hired after December 31, 2007. The separate OPEB Plan limits the Company's liability for retiree health care costs.

The annual required contribution for the defined benefit Retirement Plan was $45,278,000, $33,448,000 and $32,016,000 for the years 2009, 2008 and 2007, respectively. To help offset these rising costs, employees are contributing more to the Plan. The employees' contribution percentage is 6.2% in 2010, having increased annually from 4.0% in 2007. Employee contributions to the Retirement Plan were $10,135,000, $8,153,000 and $6,462,000 for the years 2009, 2008 and 2007, respectively.

The Retirement Plan's funded status based on the actuarial value of assets to the present value of accrued plan benefits was 89.3%, 99.1% and 100.4% as of January 1, 2009, 2008 and 2007, respectively. The increase in costs and the decrease in the funded status were primarily related to market losses and a decrease in the investment return assumption from 8.2% to 8.0%.

The annual required contributions for the two OPEB Plans totaled $22,434,000, $23,639,000 and $27,304,000 for the years 2009, 2008 and 2007, respectively. The decrease in costs was primarily due to the addition of the separate plan for employees hired after December 31, 2007.

## Risk Management Practices

OPPD has an Enterprise Risk Management (ERM) program used to identify, quantify, prioritize and manage the risks of the entire Company. As part of the ERM program, specific risk mitigation plans and procedures are maintained to provide for focused and consistent efforts to mitigate various risk exposures.

Negotiating power marketing and fuel purchase activities are within the normal course of business. Risks associated with power marketing and fuel contracting are managed within the risk management control framework that is consistent with OPPD's overall tolerance for risk. Fuel expense represents a significant portion of generation costs and affects the ability to market competitively-priced power. A Risk Management Committee is responsible for identifying, measuring and mitigating various risk exposures related to power marketing and fuel purchase activities. Periodic reports are made to the Board of Directors regarding these activities.

OPPD competes in the wholesale marketplace with other electric utilities and power marketers for off-system energy sales. To successfully compete in this market, OPPD must be able to offer energy at competitive prices and obtain transmission services. Energy market prices may fluctuate substantially in a short period of time due to changes in the supply and demand of electricity. In the energy trading and marketing business, it is anticipated that these operations will continue to experience competition. In addition, there are other risks, such as counterparty credit risks, which are monitored closely on an ongoing basis.

A Rate Stabilization Reserve was established in 1999 to help maintain stable retail electric rates. This Reserve is intended to minimize the impact on rates from significant unforeseen occurrences, such as major storm damage or the unscheduled outage of a major generating unit during a period of high replacement power costs. The balance of the Reserve was $32,000,000 at December 31, 2009 and 2008.

A Debt Retirement Reserve was established in 2003 to help manage the long-term risks associated with significant capital expenditures and related debt issuances. This Reserve is used to meet challenges in retiring debt and maintaining adequate debt service coverage ratios. The use of $13,000,000, $20,000,000 and $27,000,000 of the Reserve provided additional revenues and funding for capital expenditures and debt retirements for the years ending December 31, 2009, 2008 and 2007, respectively. The balance of the Reserve was $45,000,000 and $58,000,000 at December 31, 2009 and 2008, respectively.

OPPD promotes solid, ethical business practices and the highest standards in the reporting and disclosure of financial information. The Sarbanes-Oxley Act (Act) is intended to strengthen corporate governance of publicly traded companies. As a public utility, OPPD is not required to comply with the Act, but the application of these requirements, where appropriate, ensures the continued public trust in OPPD, protects the interest of its stakeholders and is a sound business practice. One of the most significant requirements of the Act pertains to management's documentation and assessment of internal controls. OPPD's management assesses internal controls for significant business processes that impact financial reporting. This assessment includes documenting procedures, risks and controls for these processes and assessing the effectiveness and operation of the internal controls. In addition, the Company contracts with an independent third party to provide a process for the receipt and retention of employee concerns regarding business and financial practices.

## Other Reserves

Other reserves are maintained to recognize potential liabilities that arise in the normal course of business.

- The Uncollectible Accounts Reserve is established for estimated uncollectible accounts from both retail and off-system sales. Accounts Receivable is reported net of this Reserve.
- The Workers' Compensation and Public Liability Reserves are established for the estimated liability for current workers' compensation and public liability cases.
- The Incurred But Not Presented Reserve is an insurance reserve that is required by state law since OPPD is self-insured for health care costs. The Reserve is based on health insurance claims that have been incurred but not yet presented for payment.

## CAPITAL RESOURCES

### Generating Capability

Power requirements are provided from the generating stations, leased generation and purchases of power. OPPD owns and operates eight generating stations, seven of which have a maximum summer net accredited capability of 3,223.9 MW. (The net capability of the Valley Station wind turbine is not accredited.) The following table illustrates the diverse fuel mix and maximum summer net accredited capability (in MW) of OPPD's generating facilities for 2009.

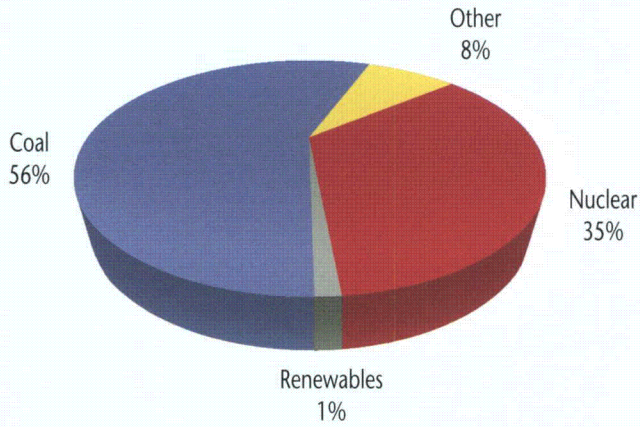
| | | Capability | % of Total |
|---|---|---|---|
| **Coal** | Nebraska City Station Unit 1 | 648.0 | |
| | Nebraska City Station Unit 2 | 682.2 | |
| | North Omaha Station | 534.2 | |
| | Subtotal Coal | 1,864.4 | 57.8 |
| **Nuclear** | Fort Calhoun Station | 484.0 | 15.0 |
| **Oil/Natural Gas** | Cass County Station | 322.0 | |
| | Jones Street Station | 124.0 | |
| | North Omaha Station | 111.8 | |
| | Sarpy County Station | 312.4 | |
| | Subtotal Oil/Natural Gas | 870.2 | 27.0 |
| **Other** | Elk City Station (landfill-gas) | 5.3 | 0.2 |
| **Total Owned Generation** | | 3,223.9 | 100.0 |

### Renewable Capability including Purchased Power Contracts

Renewable portfolio standards are currently mandated in several states. To be prepared in the event of such a mandate, OPPD has set a goal of having 10 percent of its energy for retail loads come from renewable sources by 2020. The Elk City Station (landfill-gas) and the Valley Station (wind) provide 6 MW of capacity. Most of the renewable sources have come from purchased power contracts for wind energy. OPPD has contracts with the Nebraska Public Power District for approximately 35 MW (wind). There is also an agreement with the Flat Water Wind Farm LLC to provide 60 MW (commencing in 2010). The Board of Directors also approved the purchase of 40.5 MW of wind energy from TPW Petersburg LLC. This energy is expected to be available in late 2011. There is also a purchased power contract with the Western Area Power Administration for 82 MW of hydro power. Since most renewable portfolio standards do not allow existing hydro energy, this source is not included in renewables in the chart below.

The following chart illustrates the sources of energy for retail customers in 2009.

**Retail Sales Energy Sources - 2009**



## Capital Program

Electric system requirements are continually evaluated and long-range recommendations are made for capital investments necessary to serve the growing load requirements with a reliable and economical power supply. The capital program is financed with revenues from operations, bond proceeds, investment income and cash on hand. Certain capital expenditures have been deferred, where possible, as a result of these challenging economic times. The following table shows actual capital program expenditures, including Allowance for Funds Used During Construction, for the last three years and projected expenditures for 2010 and 2011 (in millions).

| | Projected | | Actual | | |
|---|---|---|---|---|---|
| Capital Program | 2011 | 2010 | 2009 | 2008 | 2007 |
| Production | $141.1 | $143.8 | $ 93.0 | $213.8 | $177.1 |
| Transmission and Distribution | 95.0 | 81.0 | 69.5 | 81.9 | 122.2 |
| General | 28.0 | 27.7 | 18.3 | 17.8 | 6.1 |
| Total | $264.1 | $252.5 | $180.8 | $313.5 | $305.4 |

Production plant includes expenditures related to the generating facilities. A significant amount of the actual and projected expenditures are for the Nebraska City Station Unit 2 and the Fort Calhoun Station.

- Construction of the Nebraska City Station Unit 2 was completed on schedule and within budget in May 2009.
- Fort Calhoun Station expenditures include the extended power uprate, the expansion of the maintenance building and other plant improvement projects. The extended power uprate is scheduled for completion in 2013 and will add 75 MW of generating capability to the Fort Calhoun Station.

Transmission and distribution system upgrades include new technologies to ensure reliability and efficiency while providing important operational information. The Nebraska City Station Unit 2 project also included transmission projects completed in 2009.

General plant expenditures for 2009 include the purchase of communication equipment to support the transmission and distribution system upgrade. In addition, new general ledger and budgeting systems were implemented and upgrades to the customer information system began. In 2010 and 2011, projected expenditures include replacement of trucks and construction equipment.

# GENERAL FACTORS AFFECTING OPPD AND THE ELECTRIC UTILITY INDUSTRY

OPPD and the electric industry continue to be affected by a number of factors which could impact the competitiveness and financial condition of all electric utilities.

## Federal Energy Legislation

A new Congress and Administration have made energy and climate issues a legislative priority. In June 2009, the House of Representatives passed an energy and climate bill with sweeping implications for the electric utility industry. Carbon cap and trade provisions, a Renewable Energy Standard (RES) and other items could result in substantial rate increases if enacted into law. The Senate has not acted on this legislation and passage into law is not anticipated for the remainder of 2010.

The Senate passed a stand-alone energy bill in June 2009 out of the Senate Energy and Natural Resources Committee, but the legislation has not been acted on by the full Senate. This legislation does not contain carbon cap and trade provisions but does include an RES. The outlook for this legislation is unclear at this time. OPPD will continue to monitor the status of energy and climate-change legislation in Congress and continue to provide input through public power industry groups and the Nebraska Congressional Delegation.

## State of Nebraska Energy Legislation

There were additional state initiatives related to the new legislative environment. Legislative Bill 1048, Wind for Export, encourages and allows private developers to develop, own and operate renewable energy facilities to export power from Nebraska. If enacted, this bill will provide a statutory framework which affords economic benefits to Nebraska while protecting the ratepayers of customer-owned utility systems operating in the state from subsidizing the cost of the export facilities.

Previously, the Legislature enacted the Community-Based Energy Development Act, which encouraged utilities to enter purchased power agreements with private developers of alternative energy sources. These projects are exempt from sales and use tax and were to be developed to provide energy and economic benefits to the ratepayers of Nebraska.

During the 2000 session, the Nebraska Legislature enacted Legislative Bill 901 (L.B. 901), which implemented recommendations to determine whether retail competition would be beneficial for Nebraska ratepayers. L.B. 901 requires the preparation of an annual report for the Governor and Legislature which monitors the conditions in the electric industry that may indicate whether retail competition would be beneficial for Nebraska's citizens. These conditions are as follows:

- Whether a viable regional transmission organization and adequate transmission exist in Nebraska or in a region that includes Nebraska.
- Whether a viable wholesale electricity market exists in a region that includes Nebraska.
- To what extent retail rates have been unbundled in Nebraska.
- A comparison of Nebraska's wholesale electricity prices to the prices in the region.
- Any other information the Nebraska Power Review Board believes to be beneficial to the Governor, the Legislature and Nebraska's citizens when considering whether retail electric competition would be beneficial.

The conditions have not been met based on the findings from the latest annual report published in October 2009. Legislation is currently being considered to change the reporting requirement from mandatory to discretionary. Eight states have suspended, repealed or delayed retail choice since January 2001.

## Transmission Access

On April 1, 2009, OPPD became a Transmission Owning Member of the Southwest Power Pool (SPP), and all OPPD's transmission facilities were placed under the SPP Open Access Transmission Tariff (OATT). OPPD will no longer grant transmission service for new transmission service requests under its own transmission tariffs. Any new interconnection for generation to OPPD's transmission facilities requests must be submitted to SPP for approval. In addition to Tariff Administration Services, SPP also provides Reliability Coordination Services, Tariff Administration Services, Generation Reserve Sharing, Energy Imbalance Market Services and Transmission Planning Services to OPPD and its Transmission Owning Members.

As of December 31, 2009, OPPD remains a member of the Midwest Reliability Organization (MRO) reliability region of the North American Electric Reliability Corporation (NERC). A reliability region is responsible for reliability standards and compliance for the interconnected utilities. OPPD has requested to transfer NERC registration from the MRO to the SPP Regional Entity. NERC has not completed its review of this request.

## High-Level Nuclear Waste Repository

Under the Federal Nuclear Waste Disposal Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. The Department of Energy (DOE) currently does not have a federal government facility available for the long-term storage of spent nuclear fuel. OPPD remains responsible for the safe storage of spent nuclear fuel until the federal government takes delivery of this waste. The DOE has agreed to reimburse OPPD for allowable costs incurred for managing and storing spent nuclear fuel and high-level waste due to the DOE's delay in accepting waste. OPPD received $1,135,000, $761,000 and $15,063,000 from the DOE in 2009, 2008 and 2007, respectively.

## Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

Those judgments could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment may have a significant effect on the operation of the business and on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies has not changed.

The following accounting policies are significant to OPPD's financial condition and results of operation, and require management's most significant, subjective or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions.

| Accounting Policies | Judgments/Uncertainties Affecting Application |
|---|---|
| Environmental Issues and Pollution Remediation Obligations | • Approved methods for cleanup<br>• Government regulations and standards<br>• Cost estimates for future remediation options |
| Nuclear Plant Decommissioning | • Cost estimates for future decommissioning<br>• Availability of facilities for waste disposal<br>• Approved methods for waste disposal<br>• Useful life of Fort Calhoun Station |
| Regulatory Mechanisms and Cost Recovery | • External regulatory requirements<br>• Anticipated future regulatory decisions and their impact |
| Retirement Plan and Other Post Employment Benefits | • Assumptions used in computing the actuarial liability, including expected rate of return on Plan assets<br>• Plan design |
| Uncollectible Accounts Reserve | • Economic conditions affecting customers<br>• Assumptions used in computing the liabilities |
| Workers' Compensation and Public Liability Reserves | • Assumptions used in computing the liabilities |
| Unbilled Revenue | • Estimates for customer energy use and prices |

## SUMMARY OF THE FINANCIAL STATEMENTS

The basic financial statements, notes and Management's Discussion and Analysis are designed to provide a general overview of OPPD's financial position. Questions concerning any of the information provided in this report should be directed to Investor Relations, 402-636-3286.

# Report of Management

The management of Omaha Public Power District (OPPD) is responsible for the preparation of the following financial statements and for their integrity and objectivity. These financial statements conform to generally accepted accounting principles and, where required, include amounts which represent management's best judgments and estimates. OPPD's management also prepared the other information in this Annual Report and is responsible for its accuracy and consistency with the financial statements.

To fulfill its responsibility, management maintains strong internal controls, supported by formal policies and procedures that are communicated throughout OPPD. Management also maintains a staff of internal auditors who evaluate the adequacy of and investigate the adherence to these controls, policies and procedures. OPPD is committed to conducting business with integrity, in accordance with the highest ethical standards, and in compliance with all applicable laws, rules and regulations. OPPD has adopted a Code of Ethics for the Senior Executive and Financial Officers and the Controller, stating their responsibilities and standards for professional and ethical conduct.

Our independent auditors have audited the financial statements and have rendered an unqualified opinion as to the statements' fairness of presentation, in all material respects, in conformity with accounting principles generally accepted in the United States of America. During the audit, they considered OPPD's internal controls over financial reporting required by generally accepted auditing standards.

The Board of Directors pursues its oversight with respect to OPPD's financial statements through the Audit Committee, which is comprised solely of non-management directors. The committee meets periodically with the independent auditors, internal auditors and management to ensure that all are properly discharging their responsibilities. The committee approves the services of the annual audit and reviews any recommendations the independent auditors have related to the internal control structure. The Board of Directors, on the recommendation of the Audit Committee, engages the independent auditors who have unrestricted access to the Audit Committee.

W. Gary Gates
President and Chief Executive Officer

Edward E. Easterlin
Vice President and Chief Financial Officer

# Independent Auditors' Report

To the Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying balance sheets of Omaha Public Power District (OPPD) as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in equity and of cash flows for each of the three years for the period ended December 31, 2009. These financial statements are the responsibility of OPPD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPPD's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of OPPD as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years for the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, in 2007 OPPD changed its method of accounting for postemployment benefits other than pensions to conform to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The Management's Discussion and Analysis on pages 2 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of OPPD's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Omaha, Nebraska
March 5, 2010

# Balance Sheets
## as of December 31, 2009 and 2008

| ASSETS | 2009 | 2008 |
|---|---|---|
| | *(thousands)* | |
| **UTILITY PLANT** - at cost (Note 10) | | |
| Electric plant | **$4,611,275** | $4,520,464 |
| Less accumulated depreciation and amortization | **1,542,404** | 1,505,688 |
| Electric plant - net | **3,068,871** | 3,014,776 |
| Nuclear fuel - at amortized cost | **67,174** | 41,351 |
| Total utility plant - net | **3,136,045** | 3,056,127 |
| **SPECIAL PURPOSE FUNDS** - at fair value (Notes 3 and 4) | | |
| Electric system revenue bond fund - net of current | **26,579** | 55,348 |
| Segregated fund - debt retirement | **42,000** | 48,000 |
| Segregated fund - rate stabilization | **32,000** | 32,000 |
| Segregated fund - other | **27,956** | 27,907 |
| Electric system construction fund - net of current | **13,475** | - |
| Decommissioning funds | **305,630** | 278,179 |
| NC2 separate electric system revenue bond fund - net of current | **1,110** | 1,123 |
| Total special purpose funds | **448,750** | 442,557 |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents (Note 4) | **20,953** | 39,504 |
| Electric system revenue bond fund (Notes 3 and 4) | **86,452** | 53,305 |
| Electric system subordinated revenue bond fund (Notes 3 and 4) | **6,481** | 6,497 |
| Electric system construction fund (Notes 3 and 4) | **158,923** | 195,200 |
| NC2 separate electric system revenue fund (Notes 3 and 4) | **26,370** | - |
| NC2 separate electric system revenue bond fund (Notes 3 and 4) | **4,940** | 23,083 |
| NC2 separate system construction fund (Notes 3 and 4) | **1,356** | 52,568 |
| Accounts receivable - net | **104,903** | 106,132 |
| Fossil fuels - at average cost | **61,678** | 41,337 |
| Materials and supplies - at average cost | **85,600** | 82,017 |
| Other (Note 2) | **7,310** | 6,288 |
| Total current assets | **564,966** | 605,931 |
| **DEFERRED CHARGES AND OTHER ASSETS** (Note 2) | **80,552** | 64,745 |
| **TOTAL ASSETS** | **$4,230,313** | $4,169,360 |

*See notes to financial statements*

| LIABILITIES | 2009 | 2008 |
|---|---|---|
| | *(thousands)* | |
| **LONG-TERM DEBT** (Note 5) | | |
| Electric system revenue bonds - net of current | **$1,125,130** | $1,076,960 |
| Electric system subordinated revenue bonds | **348,620** | 349,615 |
| Electric revenue notes - commercial paper series | **-** | 150,000 |
| Minibonds - net of currrent | **27,250** | 26,984 |
| Subordinated obligation - net of currrent | **1,561** | 1,874 |
| NC2 separate electric system revenue bonds | **248,000** | 248,000 |
| Total long-term debt | **1,750,561** | 1,853,433 |
| Unamortized discounts and premiums | **6,974** | 8,038 |
| Unamortized loss on refunded debt | **(10,698)** | (12,203) |
| Total long-term debt - net | **1,746,837** | 1,849,268 |
| **COMMITMENTS AND CONTINGENCIES** (Note 10) | | |
| **LIABILITIES PAYABLE FROM SEGREGATED FUNDS** (Notes 2, 3 and 6) | **101,860** | 113,768 |
| **CURRENT LIABILITIES** | | |
| Electric system revenue bonds (Note 5) | **36,830** | 35,450 |
| Electric revenue notes - commercial paper series (Note 5) | **150,000** | - |
| Minibonds (Note 5) | **-** | 13,233 |
| Subordinated obligation (Note 5) | **313** | 287 |
| Accounts payable | **89,540** | 95,374 |
| Accrued payments in lieu of taxes | **23,835** | 21,370 |
| Accrued interest | **36,619** | 33,682 |
| Accrued payroll | **27,499** | 29,957 |
| Accrued production outage costs | **-** | 9,586 |
| NC2 participant deposits (Note 7) | **13,713** | 29,709 |
| Pollution remediation obligations (Note 8) | **205** | 1,010 |
| Other (Note 2) | **8,103** | 7,551 |
| Total current liabilities | **386,657** | 277,209 |
| **OTHER LIABILITIES** | | |
| Decommissioning costs | **305,630** | 278,179 |
| Pollution remediation obligations - net of current (Note 8) | **241** | 140 |
| Other (Note 2) | **24,092** | 32,357 |
| Total other liabilities | **329,963** | 310,676 |
| **EQUITY** | | |
| Invested in capital assets, net of related debt | **1,433,427** | 1,438,466 |
| Restricted | **50,155** | 37,673 |
| Unrestricted | **181,414** | 142,300 |
| Total equity | **1,664,996** | 1,618,439 |
| **TOTAL LIABILITIES AND EQUITY** | **$4,230,313** | $4,169,360 |

*See notes to financial statements*

# Statements of Revenues, Expenses and Changes in Equity

## for the Three Years Ended December 31, 2009

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | | *(thousands)* | |
| **OPERATING REVENUES** | | | |
| Retail sales (Note 9) | **$ 718,869** | $ 643,649 | $ 624,083 |
| Off-system sales | **158,354** | 127,676 | 110,399 |
| Other electric revenues | **22,743** | 16,648 | 15,771 |
| Total operating revenues | **899,966** | 787,973 | 750,253 |
| **OPERATING EXPENSES** | | | |
| Operations and maintenance | | | |
| Fuel | **201,664** | 118,286 | 117,573 |
| Purchased power | **28,772** | 50,636 | 42,403 |
| Production | **220,893** | 190,477 | 160,274 |
| Transmission | **11,037** | 10,173 | 7,713 |
| Distribution | **43,113** | 53,604 | 44,925 |
| Customer accounts | **14,205** | 16,324 | 16,712 |
| Customer service and information | **14,650** | 13,761 | 12,636 |
| Administrative and general | **119,659** | 108,135 | 106,288 |
| Total operations and maintenance | **653,993** | 561,396 | 508,524 |
| Depreciation and amortization | **114,587** | 103,798 | 102,753 |
| Payments in lieu of taxes | **24,810** | 22,426 | 21,398 |
| Total operating expenses | **793,390** | 687,620 | 632,675 |
| **OPERATING INCOME** | **106,576** | 100,353 | 117,578 |
| **OTHER INCOME (EXPENSES)** | | | |
| Contributions in aid of construction | **27,652** | 33,139 | 64,533 |
| Reduction of plant costs recovered through contributions in aid of construction | **(27,652)** | (33,139) | (64,533) |
| Decommissioning funds - investment income (loss) | **27,451** | (3,184) | 13,265 |
| Decommissioning funds - reinvestment | **(27,451)** | 3,184 | (13,265) |
| Investment income | **3,077** | 20,152 | 29,686 |
| Allowances for funds used during construction | **19,047** | 30,472 | 22,347 |
| Products and services - net | **2,446** | 2,402 | 2,058 |
| Other - net (Note 11) | **2,008** | 10,163 | 1,189 |
| Total other income - net | **26,578** | 63,189 | 55,280 |
| **INTEREST EXPENSE** | **86,597** | 84,356 | 83,369 |
| **NET INCOME** | **46,557** | 79,186 | 89,489 |
| **EQUITY, BEGINNING OF YEAR** | **1,618,439** | 1,539,928 | 1,450,439 |
| **POLLUTION REMEDIATION OBLIGATIONS** (Note 8) | **-** | (675) | - |
| **EQUITY, END OF YEAR** | **$1,664,996** | $1,618,439 | $1,539,928 |

*See notes to financial statements*

# Statements of Cash Flows

## for the Three Years Ended December 31, 2009

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | | *(thousands)* | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash received from retail customers | **$ 730,261** | $ 652,079 | $ 609,427 |
| Cash received from off-system customers | **161,757** | 119,801 | 112,901 |
| Cash paid to operations and maintenance suppliers | **(512,011)** | (367,326) | (351,904) |
| Cash paid to off-system suppliers | **(15,774)** | (48,566) | (40,386) |
| Cash paid to employees | **(141,651)** | (139,799) | (127,726) |
| Cash paid for in lieu of taxes and other taxes | **(22,345)** | (21,396) | (20,242) |
| Net cash provided from operating activities | **200,237** | 194,793 | 182,070 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Proceeds from long-term borrowings | **85,000** | 126,000 | 470,000 |
| Principal reduction of debt | **(50,153)** | (87,028) | (166,790) |
| Interest paid on debt | **(84,488)** | (89,209) | (77,221) |
| Acquisition and construction of capital assets | **(206,642)** | (309,756) | (425,207) |
| Proceeds from NC2 participants (Note 7) | **-** | 27,985 | - |
| Contributions in aid of construction and other reimbursements | **3,772** | 9,871 | 22,298 |
| Acquisition of nuclear fuel | **(37,492)** | (28,692) | (1,763) |
| Net cash used for capital and related financing activities | **(290,003)** | (350,829) | (178,683) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of investments | **(1,122,048)** | (1,075,171) | (1,350,027) |
| Maturities and sales of investments | **1,183,018** | 1,208,393 | 1,317,538 |
| Purchases of investments for decommissioning funds | **(161,229)** | (148,511) | (100,868) |
| Maturities and sales of investments in decommissioning funds | **161,229** | 148,511 | 100,868 |
| Investment income | **10,245** | 23,099 | 23,469 |
| Net cash provided from (used for) investing activities | **71,215** | 156,321 | (9,020) |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **(18,551)** | 285 | (5,633) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | **39,504** | 39,219 | 44,852 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$ 20,953** | $ 39,504 | $ 39,219 |
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES** | | | |
| Operating income | **$ 106,576** | $ 100,353 | $ 117,578 |
| Adjustments to reconcile operating income to net cash provided from operating activities | | | |
| Depreciation and amortization | **114,587** | 103,798 | 102,753 |
| Amortization of nuclear fuel | **12,654** | 12,221 | 13,961 |
| Changes in assets and liabilities | | | |
| Accounts receivable | **1,229** | (21,926) | 5,355 |
| Fossil fuels | **(20,341)** | (11,475) | (4,005) |
| Materials and supplies | **(3,583)** | (4,653) | (4,929) |
| Accounts payable | **19,805** | 12,928 | (21,878) |
| Accrued payments in lieu of taxes | **2,465** | 1,030 | 1,155 |
| Accrued payroll | **(2,458)** | 10,290 | 418 |
| Accrued production outage costs | **(9,586)** | (4,302) | 13,888 |
| Debt retirement reserve | **(13,000)** | (20,000) | (27,000) |
| Other | **(8,111)** | 16,529 | (15,226) |
| Net cash provided from operating activities | **$ 200,237** | $ 194,793 | $ 182,070 |
| **NONCASH CAPITAL ACTIVITIES** | | | |
| Utility plant additions from outstanding liabilities | **$ 34,726** | $ 53,652 | $ 44,951 |

*See notes to financial statements*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Business** – The Omaha Public Power District (OPPD or Company), a political subdivision of the state of Nebraska, is a public utility engaged in the generation, transmission and distribution of electric power and energy and other related activities. The Board of Directors is authorized to establish rates. OPPD is generally not liable for federal and state income or ad valorem taxes on property; however, payments in lieu of taxes are made to various local governments.

**Basis of Accounting** – The financial statements of OPPD are presented in accordance with generally accepted accounting principles (GAAP) for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, OPPD has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989. Commencing in September 2009, the FASB Accounting Standards Codification (ASC) is the single source of authoritative non-governmental guidance. As the result of this change, all statements of financial accounting standards were replaced by this FASB ASC.

OPPD applies the accounting policies established in ASC 980-10-05 (formerly Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation* (SFAS No. 71)). This guidance permits an entity with cost-based rates to include costs in a period other than the period in which the costs would be charged to expense by an unregulated entity if it is probable that these costs will be recovered through the rates charged to customers. ASC 980-10-05 also permits an entity to defer revenues by recognizing liabilities to cover future expenditures.

If, as a result of changes in regulation or competition, OPPD's ability to recover these assets and to satisfy liabilities would not be assured, then pursuant to ASC 980-20-05 (formerly SFAS No. 101, *Regulated Enterprises - Accounting for the Discontinuation of Application of SFAS No. 71* and SFAS No. 90, *Regulated Enterprises - Accounting for Abandonments and Disallowances of Plant Costs*), OPPD would be required to write off or write down such regulatory assets and liabilities, unless some form of transition cost recovery continues through established rates. In addition, OPPD would be required to determine any impairment to the carrying costs of deregulated plant and inventory assets. There were no write-downs of regulatory assets in any of the three years ended December 31, 2009.

**Revenue Recognition** – OPPD recognizes electric operating revenues as earned. Meters are read and bills are rendered on a cycle basis. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of each accounting period. Accounts Receivable includes $39,905,000 and $32,456,000 in unbilled revenues as of December 31, 2009 and 2008, respectively.

OPPD acts as an agent in the buying and selling of power for other public power utilities through joint marketing agreements and receives an agreed-upon percentage share of the net profits from the energy marketed under these agreements. The profit from joint marketing activities is reported in off-system sales revenue, and purchased power expense includes only power purchased for OPPD's operations.

**Cash and Cash Equivalents** – The operating fund account is called the Electric System Revenue Fund. OPPD considers highly liquid investments of the Electric System Revenue Fund purchased with an original maturity of three months or less to be cash equivalents.

**Accounts Receivable** – An estimate is made for the Reserve for Uncollectible Accounts, based on an analysis of the aging of Accounts Receivable and historical write-offs net of recoveries, for retail customers. Additional amounts may be included based on the credit risks of significant parties. Included in the reserve is the greater of $5,000,000 or an estimate based on the previous year's Accounts Receivable for off-system sales customers. Accounts Receivable was reported net of the Reserve for Uncollectible Accounts of $5,540,000 and $5,805,000 as of December 31, 2009 and 2008, respectively.

**Utility Plant** – Utility plant is stated at cost, which includes property additions, replacements of units of property and betterments. Maintenance and replacement of minor items are charged to operating expenses. Costs of depreciable units of electric plant retired are eliminated from electric plant accounts by charges, less salvage plus removal expenses, to the accumulated depreciation account. Electric plant includes both tangible and intangible assets. Intangible assets include the costs of software

and licenses. Electric plant includes construction work in progress of $131,393,000 and $773,937,000 as of December 31, 2009 and 2008, respectively. Electric plant activity for 2009 was as follows (in thousands):

| | 2008 | Additions | Retirements | 2009 |
|---|---|---|---|---|
| Electric plant | $4,520,464 | $181,720 | $(90,909) | $4,611,275 |
| Less accumulated depreciation and amortization | 1,505,688 | 127,625 | (90,909) | 1,542,404 |
| Electric plant - net | $3,014,776 | $ 54,095 | $ - | $3,068,871 |

Allowances for funds used during construction, approximating OPPD's current weighted average cost of debt, were capitalized as a component of the cost of utility plant. These allowances for both construction work in progress and nuclear fuel were computed at 4.4% for the year ended December 31, 2009, and 4.5% for the years ended December 31, 2008 and 2007. Allowances for funds used during construction for the participants' share of Nebraska City Station Unit 2 were offset by the actual interest cost of their funds, resulting in no impact on net income.

OPPD periodically reviews the carrying amount of long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. There were no write-downs for impairments in any of the three years ended December 31, 2009.

**Contributions in Aid of Construction (CIAC)** – OPPD receives payments from customers for construction costs primarily relating to the expansion of OPPD's electric system. OPPD follows FERC guidelines in the recording of CIAC, which direct the reduction of utility plant assets by the amount of contributions received toward the construction of utility plant. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow FERC guidelines, CIAC is recorded as other income and offset by an expense in the same amount representing the recovery of plant costs. CIAC from participants who provided their own funds for the construction of Nebraska City Station Unit 2 was $16,846,000, $26,371,000 and $55,165,000 for the years ended December 31, 2009, 2008 and 2007, respectively. CIAC from the United States Department of Energy (DOE) for reimbursement of capital costs incurred for the storage of high-level nuclear waste was $7,035,000, $1,371,000 and $2,303,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

**Depreciation and Amortization** – Depreciation for assets is computed on the straight-line basis at rates based on the estimated useful lives of the various classes of property. Depreciation expense for depreciable property has averaged approximately 2.9% for each of the three years ended December 31, 2009.

Amortization of nuclear fuel is based upon the cost thereof, which is prorated by fuel assembly in accordance with the thermal energy that each assembly produces.

Intangible assets are amortized over their expected useful life. Amortization of intangible assets included with depreciation and amortization expense in these financial statements was $4,571,000, $4,198,000 and $4,616,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

In 2009, Nebraska City Station Unit 2 (NC2) was placed in commercial operation. Half of the output is sold under 40-year Participation Power Agreements (PPAs). Certain participants funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. These participants are billed for the debt service related to these bonds. The amounts recovered for debt service for the electric plant construction costs are included in off-system sales revenues. The revenues related to principal repayment will equal depreciation expense over the 40-year term of the PPAs. To maintain revenue neutrality in the interim years, a regulatory asset was established to reduce depreciation expense in order to equate depreciation expense and the amount included in off-system sales revenues for principal repayment. This regulatory asset will increase annually until 2030. After 2030, as principal repayments exceed depreciation expense, the regulatory asset will be reduced annually by increasing depreciation expense until its elimination in 2049, the end of the initial term of the PPAs.

In 2004, OPPD's Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043, which is ten years beyond the term of Fort Calhoun Station's current operating license. A regulatory asset was established for the difference in depreciation expense resulting from the use of the estimated economic life of the asset versus the license term. The reduction in depreciation expense will be recorded each year as a regulatory asset in deferred charges until 2033. The regulatory asset will be reduced through the recognition of depreciation expense over the assets' remaining economic life in the years 2034 through 2043. This regulatory asset was $36,324,000 and $30,427,000 as of December 31, 2009 and 2008, respectively, and was recorded in deferred charges and other assets on the balance sheet.

**Nuclear Fuel Disposal Costs** – Permanent disposal of spent nuclear fuel is the responsibility of the Federal Government under an agreement entered into with the United States Department of Energy (DOE). Under the agreement, OPPD is subject to a fee of one mill per kilowatt-hour on net electricity generated and sold from the Fort Calhoun Station. The spent nuclear fuel disposal costs are included in OPPD's nuclear fuel amortization and are collected from customers as part of fuel costs. Nuclear fuel disposal costs were $3,547,000, $3,364,000 and $4,173,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

OPPD's contract required the Federal Government to begin accepting high-level nuclear waste by January 1998; however, the DOE does not have a storage facility. In May 1998, the U.S. Court of Appeals confirmed the DOE's statutory obligation to accept spent fuel by 1998, but rejected the request that a move-fuel order be issued. In March 2001, OPPD, along with a number of other utilities, filed suit against the DOE in the United States Court of Federal Claims alleging breach of contract.

In 2006, the DOE agreed to reimburse OPPD for allowable costs for managing and storing spent nuclear fuel and high-level waste that OPPD incurred due to the DOE's delay in accepting waste. The reimbursements from the DOE have been included in contributions in aid of construction. OPPD periodically submits applications to the DOE for reimbursement of costs incurred for the storage of high-level nuclear waste.

**Nuclear Decommissioning** – OPPD's Board of Directors has approved the collection of nuclear decommissioning costs based on an independent engineering study of the costs to decommission the Fort Calhoun Station. Based on cost estimates, inflation rates and fund earnings projections, no funding has been required since 2001. Decommissioning funds are reported at fair value. The decommissioning cost liability is adjusted for interest income and changes in fair value, resulting in no impact on net income. Interest income was $12,433,000, $14,936,000 and $13,206,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The fair value of the decommissioning funds increased $15,018,000, decreased $18,120,000 and increased $59,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The decommissioning estimates, which exceed the Nuclear Regulatory Commission's (NRC) minimum funding requirements, totaled $669,582,000 and $652,009,000 for the fiscal years ending June 30, 2010 and 2009, respectively.

**Regulatory Assets and Liabilities** – OPPD is a regulated utility and applies the provisions of ASC 980-10-05. Under this guidance, regulatory assets are deferred expenses which are expected to be recovered through customer rates over some future period and regulatory liabilities are reductions in earnings (or costs recovered) to cover future expenditures.

Regulatory assets are included in deferred charges and consist of deferred depreciation expense for Fort Calhoun's production assets and other deferred expenses for Nebraska City Station Unit 2 (NC2). In 2004, OPPD's Board of Directors approved a change in the depreciation estimate for Fort Calhoun production plant assets to 2043, which is ten years beyond the term of the current operating license. The balance of deferred depreciation expense was $36,324,000 and $30,427,000 as of December 31, 2009 and 2008, respectively. In 2009, NC2 was placed in commercial operation. As previously noted, certain NC2 expenses were deferred to maintain revenue neutrality from transactions with participants who funded their share of construction costs with NC2 Separate Electric System Revenue Bonds. The balance of NC2 deferred expenses was $5,772,000 as of December 31, 2009. There were no NC2 deferred expenses as of December 31, 2008.

Regulatory liabilities, which are primarily included in liabilities payable from segregated funds, consist of reserves for debt retirement, rate stabilization and uncollectible accounts from off-system sales. The Debt Retirement Reserve was established for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels (Note 9). The Rate Stabilization Reserve was established to help maintain stability in OPPD's long-term rate structure. The Reserve for Uncollectible Accounts from off-system sales, which is included as a reduction to Accounts Receivable, was established to recognize a loss contingency for uncollectible accounts from off-system sales customers. The balance of the Debt Retirement Reserve was $45,000,000 and $58,000,000 as of December 31, 2009 and 2008, respectively. The balance of the Rate Stabilization Reserve was $32,000,000 as of December 31, 2009 and 2008. The balance of the Reserve for Uncollectible Accounts from off-system sales was $5,000,000 as of December 31, 2009 and 2008.

**Accrued Production Outage Costs** – Costs of major planned production outages with estimated incremental operations and maintenance expenses of $5,000,000 or more are accrued prior to the outage. The Fort Calhoun Station completed a major refueling and maintenance outage in 2009. The next major planned production outage is scheduled to begin in April 2011 at the Fort Calhoun Station. The balance of accrued production outage costs was $716,000 long-term and $9,586,000 short-term as of December 31, 2009 and 2008, respectively.

**Natural Gas Inventories and Contracts** – Natural gas inventories are maintained for the Cass County Station. The weighted average cost of natural gas consumed is used to expense natural gas from inventories. OPPD is exposed to market price fluctuations on its purchases of natural gas. To ensure financial protection on these purchases, OPPD enters into futures contracts and purchases options to manage the risk of volatility in the market price of gas on anticipated purchase transactions.

OPPD had natural gas futures contracts with the New York Mercantile Exchange (NYMEX) based on the notional amount of 1,780,000 mmBtu as of December 31, 2009. The contracts will mature in the months of June, July and August of 2010 through 2012. OPPD had futures contracts based on the notional amount of 1,760,000 mmBtu as of December 31, 2008. These contracts had unrealized losses of $2,913,000 and $3,152,000 as of December 31, 2009 and 2008, respectively.

As a result of hedging contracts there was an increase in fuel expense of $3,560,000 for the year ended December 31, 2009, a decrease in fuel expense of $4,961,000 for the year ended December 31, 2008, and an increase in fuel expense of $1,831,000 for the year ended December 31, 2007. In accordance with the adoption of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* OPPD will record futures contracts at fair value on the balance sheet in 2010.

**Equity** – Equity is reported in three components on the Balance Sheets. Equity invested in capital assets, net of related debt, is the equity share attributable to net utility plant assets reduced by outstanding related debt. Restricted equity represents net assets with usage restraints imposed by law or by debt covenants. Unrestricted equity represents net assets that are neither restricted nor invested in capital assets. On January 1, 2008, beginning equity was reduced $675,000 for pollution remediation obligations (Note 8).

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recent Accounting Pronouncements** – In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This statement requires the accounting for and disclosures of potential liabilities related to the cleanup and removal of pollution. OPPD adopted this statement in 2008 and had an estimated liability of $675,000 for pollution remediation obligations at January 1, 2008. In 2008, the liability was recorded with a corresponding reduction to beginning equity. OPPD had an estimated liability of $446,000 and $1,150,000 for pollution remediation obligations as of December 31, 2009 and 2008, respectively (Note 8).

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. In addition, the statement establishes guidance specific to intangible assets related to recognition and amortization. OPPD adopted this statement in 2009. This statement did not have an impact on the financial statements because OPPD's accounting policies for intangible assets prior to 2009 were consistent with this statement.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. OPPD adopted GASB Statement No. 53 on January 1, 2010. With this change, OPPD will recognize the fair value of derivative instruments and the unrealized gains and losses on its balance sheet for effective hedges. Ineffective hedges will be treated like investments with changes in fair value and realized gains and losses reported as investment income. OPPD is in the process of evaluating the effectiveness of its hedges.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB authoritative literature. This statement was effective upon issuance in March 2009.

## 2. ASSETS AND LIABILITIES DETAIL BALANCES

### Other Current Assets

The composition of other current assets at December 31 was as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Prepayments | $4,049 | $4,316 |
| Sulfur dioxide allowance inventory – short-term | 2,048 | 7 |
| Interest receivable | 1,144 | 1,893 |
| Other | 69 | 72 |
| Total | $7,310 | $6,288 |

### Deferred Charges and Other Assets

The composition of other deferred charges at December 31 was as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Regulatory asset for Fort Calhoun Station | $36,324 | $30,427 |
| Deferred financing costs | 19,977 | 20,021 |
| Sulfur dioxide allowance inventory - long-term | 6,500 | 8,125 |
| Regulatory asset for Nebraska City Station Unit 2 (NC2) | 5,772 | - |
| Receivable from NC2 participants | 4,513 | - |
| Other | 7,466 | 6,172 |
| Total | $80,552 | $64,745 |

### Liabilities Payable from Segregated Funds

The composition of liabilities payable from segregated funds at December 31 was as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Debt retirement reserve | $ 45,000 | $ 58,000 |
| Rate stabilization reserve | 32,000 | 32,000 |
| Customer deposits | 19,178 | 19,120 |
| Incurred but not presented reserve | 2,707 | 2,067 |
| Customer advances for construction | 1,296 | 1,531 |
| Other | 1,679 | 1,050 |
| Total | $101,860 | $113,768 |

### Other Current Liabilities

The composition of other current liabilities at December 31 was as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Deferred revenues | $4,583 | $ 723 |
| Deposits | 999 | 1,066 |
| Payroll taxes and other employee liabilities | 674 | 3,281 |
| Other | 1,847 | 2,481 |
| Total | $8,103 | $7,551 |

### Other Liabilities

The composition of other long-term liabilities at December 31 was as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Deferred revenues | $17,252 | $25,422 |
| Capital purchase agreement | 2,859 | 3,098 |
| Workers' compensation reserve | 1,756 | 2,034 |
| Public liability reserve | 784 | 908 |
| Accrued production outage costs | 716 | - |
| Other | 725 | 895 |
| Total | $24,092 | $32,357 |

## 3. SPECIAL PURPOSE FUNDS

Special purpose funds of OPPD are as follows:

**Electric System Revenue Fund and NC2 Separate Electric System Revenue Fund** – These funds are to be used for operating activities for their respective electric system. The Electric System Revenue Fund is shown as cash and cash equivalents on the balance sheets.

**Electric System Revenue Bond Fund, Electric System Subordinated Revenue Bond Fund and NC2 Separate Electric System Revenue Bond Fund** – These funds are to be used for the retirement of their respective revenue bonds and the payment of the related interest and reserves as required.

**Electric System Construction Fund and NC2 Separate System Construction Fund** – These funds are to be used for capital improvements, additions and betterments to and extensions of their respective electric system.

**Segregated Fund - Debt Retirement** – This fund is to be used for the retirement of outstanding debt and to help maintain debt service coverage ratios at appropriate levels. As there is no funding requirement for the Debt Retirement Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Debt Retirement Fund was $42,000,000 and $48,000,000 as of December 31, 2009 and 2008, respectively.

**Segregated Fund - Rate Stabilization** – This fund is to be used to help stabilize rates through the transfer of funds to operations as necessary for significant unforeseen occurrences, such as major storm damage or unscheduled outages. As there is no funding requirement for the Rate Stabilization Reserve, this fund also may be used to provide additional liquidity for operations as necessary. The balance of the Rate Stabilization Fund was $32,000,000 as of December 31, 2009 and 2008.

**Segregated Fund - Other** – This fund represents assets held for payment of customer deposits, refundable advances, certain other liabilities and funds set aside as part of OPPD's self-insured health insurance plans (Note 6). The balances of the funds at December 31 were as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Segregated Fund - self-insurance | $ 6,144 | $ 5,360 |
| Segregated Fund - other | 21,812 | 22,547 |
| Total | $27,956 | $27,907 |

**Decommissioning Funds** – These funds are for the costs to decommission the Fort Calhoun Station when its operating license expires. The Decommissioning Funds are held by an outside trustee in compliance with the decommissioning funding plans approved by OPPD's Board of Directors. The 1990 Plan was established in accordance with NRC regulations for the purpose of discharging OPPD's obligation to decommission the Fort Calhoun Station. The 1992 Plan was established to retain funds in excess of NRC minimum funding requirements based on an independent engineering study which indicated that decommissioning costs would exceed the NRC minimum requirements. The balances of the funds at December 31 were as follows (in thousands):

| | 2009 | 2008 |
|---|---|---|
| Decommissioning Trust - 1990 Plan | $234,077 | $213,224 |
| Decommissioning Trust - 1992 Plan | 71,553 | 64,955 |
| Total | $305,630 | $278,179 |

## 4. DEPOSITS AND INVESTMENTS

**Investments** – OPPD has investments in cash equivalents and special purpose funds. Fair values were determined based on quotes received from the trustees' market valuation service. The weighted average maturity was based on the face value for investments. As of December 31, OPPD's investments were as follows (in thousands):

| | 2009 | | 2008 | |
|---|---|---|---|---|
| **Investment Type** | **Fair Value** | **Weighted Average Maturity (Years)** | **Fair Value** | **Weighted Average Maturity (Years)** |
| Money markets | $ 6,202 | - | $ 810 | - |
| U.S. agencies | 602,019 | 0.9 | 665,864 | 1.3 |
| Corporate bonds | 12,901 | 0.6 | 13,041 | 1.6 |
| Mutual funds | 126,433 | - | 126,551 | - |
| Total | $747,555 | | $806,266 | |
| Portfolio weighted average maturity | | 0.8 | | 1.1 |

**Interest Rate Risk** – OPPD's investment in relatively short-term securities reduces interest rate risk, as evidenced by its portfolio weighted average maturity of 0.8 and 1.1 years as of December 31, 2009 and 2008, respectively. In addition, OPPD is a buy-and-hold investor, which minimizes interest rate risk.

**Credit Risk** – OPPD's investment policy is to comply with its bond covenants and state statutes for governmental entities, which limit investments to investment-grade fixed income obligations. The weighted average credit quality of the investments held by OPPD was rated AAA by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service at December 31, 2009 and 2008.

**Custodial Credit Risk** – OPPD's bank deposits were entirely insured or collateralized with securities held by OPPD or by its agent in OPPD's name at December 31, 2009 and 2008. OPPD delivers all of its investment securities under contractual trust agreements.

## 5. DEBT

OPPD utilizes the proceeds of debt issued primarily to finance its construction program. Debt activity for 2009 was as follows (in thousands):

| | 2008 | Additions | Retirements | 2009 |
|---|---|---|---|---|
| Electric system revenue bonds | $1,112,410 | $85,000 | $(35,450) | $1,161,960 |
| Electric system subordinated revenue bonds | 349,615 | – | (995) | 348,620 |
| Electric revenue notes - commercial paper series | 150,000 | – | – | 150,000 |
| Minibonds | 40,217 | 771 | (13,738) | 27,250 |
| Subordinated obligation | 2,161 | – | (287) | 1,874 |
| NC2 separate electric system revenue bonds | 248,000 | – | – | 248,000 |
| Total | $1,902,403 | $85,771 | $(50,470) | $1,937,704 |

**Lien Structure** – In the event of an OPPD default, subject to terms and conditions of debt covenants, OPPD is required to satisfy all Electric System Revenue Bond obligations before paying second-tier bonds and notes which are Electric System Subordinated Revenue Bonds, Electric Revenue Notes – Commercial Paper Series and Minibonds. OPPD will pay the Subordinated Obligation after second-tier debt.

**Electric System Revenue Bonds** – These bonds are payable from and secured by a pledge of and lien on the revenues of the Electric System, subject to the prior payment therefrom of the operations and maintenance expenses of the Electric System.

On February 1, 2008, Moody's Investors Service increased the rating on OPPD's Electric System Revenue Bonds to Aa1 from Aa2. Standard & Poor's Rating Services rated OPPD's Electric System Revenue Bonds as AA. These ratings remain unchanged in 2009.

On February 2, 2009, a principal payment of $35,450,000 was made for the Electric System Revenue Bonds. On March 4, 2009, OPPD issued 2009 Series A Electric System Revenue Bonds for $85,000,000. This issue consists of serial bonds of $25,700,000, with maturity dates between 2023 and 2029, with interest rates between 4.0% and 4.75%, and term bonds of $59,300,000, with maturity dates between 2030 and 2039, with an interest rate of 5.0%.

On February 1, 2008, a principal payment of $56,620,000 was made for the Electric System Revenue Bonds. On November 14, 2008, OPPD issued 2008 Series A Electric System Revenue Bonds for $105,000,000. This issue consists of serial bonds of $34,710,000, with maturity dates between 2018 and 2028, with interest rates between 4.6% and 5.5%, and term bonds of $70,290,000, with maturity dates between 2033 and 2039, with an interest rate of 5.5%.

At December 31, 2009, Electric System Revenue Bonds consisted of $635,155,000 of serial bonds, with interest rates between 3.25% and 5.5%, due annually from 2010 to 2044, and $526,805,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

At December 31, 2008, Electric System Revenue Bonds consisted of $644,905,000 of serial bonds, with interest rates between 2.95% and 5.5%, due annually from 2009 to 2044, and $467,505,000 of term bonds, with interest rates between 4.25% and 5.5%, due annually from 2011 to 2046.

In February 2008, OPPD defeased a portion of the 2005 Series B Electric System Revenue Bonds with Company funds. The defeased 2005 Series B issue consists of serial bonds of $13,340,000, with a maturity date of February 1, 2012, with an interest rate of 3.5%, and serial bonds of $8,000,000, with a maturity date of February 1, 2017, with an interest rate of 5.0%. The following Electric System Revenue Bonds, with outstanding principal amounts of $263,175,000 and $285,265,000 as of December 31, 2009 and 2008, respectively, were legally defeased: 1986 Series A Term Bonds, 1992 Series B Term Bonds, 1993 Series B Term Bonds, a portion of 2002 Series A and a portion of 2005 Series B. Defeased bonds are funded by Government securities deposited by OPPD in irrevocable escrow accounts. Accordingly, the bonds and the related Government securities escrow accounts have been removed from OPPD's balance sheets.

OPPD's bond indenture amended effective March 4, 2009, provides for certain restrictions, the most significant of which are:

- Additional bonds may not be issued unless estimated net receipts (as defined) for each future year equal or exceed 1.4 times the debt service on all Electric System Revenue Bonds outstanding, including the additional bonds being issued or to be issued in the case of a power plant (as defined) being financed in increments.
- The Electric System is required to be maintained by the Company in good condition, but there is no longer a prescribed amount for replacements, renewals or additions to the Electric System.

Electric System Revenue Bond payments are as follows (in thousands):

| | Principal | Interest |
|---|---|---|
| 2010 | $ 36,830 | $ 54,310 |
| 2011 | 36,340 | 52,611 |
| 2012 | 37,970 | 50,849 |
| 2013 | 39,690 | 48,956 |
| 2014 | 41,500 | 46,928 |
| 2015-2019 | 238,130 | 204,695 |
| 2020-2024 | 185,980 | 153,235 |
| 2025-2029 | 134,960 | 119,751 |
| 2030-2034 | 158,370 | 83,112 |
| 2035-2039 | 160,200 | 49,816 |
| 2040-2044 | 50,990 | 19,327 |
| 2045-2046 | 41,000 | 2,075 |
| Total | $1,161,960 | $885,665 |

The average interest rate for Electric System Revenue Bonds was 4.7% for each of the three years ended December 31, 2009.

**Electric System Subordinated Revenue Bonds** – These bonds are payable from and secured by a pledge of revenues of the Electric System, subject to the prior payment of the operations and maintenance expenses of the Electric System and the prior payment of the Electric System Revenue Bonds. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

The Electric System Subordinated Revenue Bonds include Periodically Issued Bonds (PIBs). OPPD was authorized to offer up to $300,000,000 of PIBs on a series-by-series basis through August 1, 2009. Certain issues of the PIBs may be redeemed prior to maturity upon the death of the holder subject to certain conditions as outlined in the offering document. There were no Electric System Subordinated Revenue Bonds, including PIBs, issued in 2009 or 2008.

Electric System Subordinated Revenue Bonds (PIBs) payments are as follows (in thousands):

| | Principal | Interest |
|---|---|---|
| 2010 | $ - | $ 6,645 |
| 2011 | - | 6,645 |
| 2012 | - | 6,645 |
| 2013 | - | 6,645 |
| 2014 | - | 6,645 |
| 2015-2019 | - | 33,224 |
| 2020-2024 | - | 33,224 |
| 2025-2029 | - | 33,224 |
| 2030-2034 | - | 33,225 |
| 2035-2039 | 74,755 | 21,626 |
| 2040-2042 | 73,865 | 5,075 |
| Total | $148,620 | $192,823 |

Electric System Subordinated Revenue Bond payments for the 2007 Series AA are as follows (in thousands):

| | Principal | Interest |
|---|---|---|
| 2010 | $ - | $ 8,902 |
| 2011 | - | 8,902 |
| 2012 | - | 8,902 |
| 2013 | - | 8,902 |
| 2014 | - | 8,902 |
| 2015-2019 | 2,000 | 44,430 |
| 2020-2024 | 10,000 | 43,400 |
| 2025-2029 | 50,000 | 36,958 |
| 2030-2034 | 76,000 | 23,965 |
| 2035-2038 | 62,000 | 5,715 |
| Total | $200,000 | $198,978 |

The average interest rate for the Electric System Subordinated Revenue Bonds (PIBs and the 2007 Series AA) was 4.5% for each of the three years ended December 31, 2009.

**Electric Revenue Notes - Commercial Paper Series** – OPPD has a Commercial Paper Program supported by a credit agreement for $150,000,000, which expires on October 1, 2010. The average borrowing rates were 0.5%, 1.9% and 3.6% for the years ended December 31, 2009, 2008 and 2007, respectively. The outstanding balance was $150,000,000 as of December 31, 2009 and 2008. Commercial Paper was reported as a current liability as of December 31, 2009, and a long-term liability as of December 31, 2008. OPPD is in the process of evaluating various options to determine the most cost-effective method of refinancing this debt.

**Minibonds** – Minibonds consist of current interest-bearing and capital appreciation minibonds. The minibonds may be redeemed prior to their maturity dates at the request of a holder, subject to certain conditions as outlined in the Minibond Official Statements. On October 1, 2009, the 1994 minibonds matured with a payment of $13,738,000 for principal and interest. On October 1, 2008, the 1993 minibonds matured with a payment of $12,478,000 for principal and interest. The average interest rates were 5.05% for the year ended December 31, 2009 and 5.30% for the years ended December 31, 2008 and 2007. The payment of the principal and interest on these bonds is insured by a municipal bond insurance policy.

The outstanding balances at December 31 were as follows (in thousands):

| **Principal** | **2009** | **2008** |
|---|---|---|
| 1994 minibonds, due 2009 (5.95%) | $ - | $ 9,415 |
| 2001 minibonds, due 2021 (5.05%) | 24,103 | 24,291 |
| Subtotal | 24,103 | 33,706 |
| Accreted interest on capital appreciation minibonds | 3,147 | 6,511 |
| Total | $27,250 | $40,217 |

**Subordinated Obligation** – The subordinated obligation is payable in annual installments of $481,815, including interest at 9.0%, through 2014.

**Revolving Credit Agreement** – The Revolving Credit Agreement (RCA) of $50,000,000 expired on December 31, 2009, and was not renewed. There were no amounts outstanding under the RCA as of December 31, 2009 and 2008.

**NC2 Separate Electric System Revenue Bonds** – OPPD executed Participation Power Agreements with seven public power and municipal utilities for half of the output of its new Nebraska City Station Unit 2 (NC2). The participants' rights to receive, and obligations to pay costs related to, half of the output is the "Separate System."

There were no NC2 Separate Electric System Revenue Bonds issued in 2009.

On December 2, 2008, OPPD issued $21,000,000 of NC2 Separate Electric System Revenue Bonds. The issue consists of $10,210,000 of serial bonds, with maturity dates between 2011 and 2028, with interest rates between 2.85% and 5.4% and $10,790,000 of term bonds, with maturity dates between 2033 and 2039, with interest rates between 5.6% and 5.8%.

NC2 Separate Electric System Revenue Bond payments are as follows (in thousands):

| | **Principal** | **Interest** |
|---|---|---|
| 2010 | $ - | $ 11,850 |
| 2011 | 2,675 | 11,804 |
| 2012 | 2,765 | 11,709 |
| 2013 | 2,865 | 11,607 |
| 2014 | 2,970 | 11,498 |
| 2015-2019 | 16,675 | 55,599 |
| 2020-2024 | 20,490 | 51,666 |
| 2025-2029 | 25,600 | 46,404 |
| 2030-2034 | 32,345 | 39,494 |
| 2035-2039 | 41,035 | 30,553 |
| 2040-2044 | 45,355 | 19,696 |
| 2045-2049 | 55,225 | 6,931 |
| Total | $248,000 | $308,811 |

The payment of principal and interest on the 2005 Series A and 2006 Series A Bonds is insured by municipal bond insurance policies. The average interest rate for NC2 Separate Electric System Revenue Bonds was 4.8% for the years ended December 31, 2009 and 2008, and 4.7% for the year ended December 31, 2007.

**Fair Value Disclosure** – The aggregate carrying amount and fair value of OPPD's long-term debt, including current portion and excluding unamortized loss on refunded debt at December 31 were as follows (in thousands):

| 2009 | | 2008 | |
|---|---|---|---|
| Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| $1,944,678 | $1,976,256 | $1,910,441 | $1,776,390 |

The estimated fair value amounts were determined using rates that are currently available for issuance of debt with similar credit ratings and maturities. As market interest rates decline in relation to the issuer's outstanding debt, the fair value of outstanding debt financial instruments with fixed interest rates and maturities will tend to rise. Conversely, as market interest rates increase, the fair value of outstanding debt financial instruments will tend to decline. Fair value will normally approximate carrying amount as the debt financial instrument nears its maturity date. The use of different market assumptions may have an effect on the estimated fair value amount. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that bondholders could realize in a current market exchange.

## 6. BENEFIT PLANS FOR EMPLOYEES AND RETIREES

### RETIREMENT PLAN

**Plan Description** - Substantially all employees are covered by OPPD's Retirement Plan (Retirement Plan). It is a single-employer, defined benefit plan which provides retirement and death benefits to Plan members and beneficiaries. The Retirement Plan was established and may be amended at the direction of OPPD's Board of Directors and is administered by OPPD. As of January 1, 2009, 1,455 of the 4,274 total participants were receiving benefits. Generally, employees at the normal retirement age of 65 are entitled to annual pension benefits equal to 2.25% of their average compensation (as defined) times years of credited service (as defined) under the Traditional Option (as defined). Under the Cash Balance Option (as defined), members can receive the total vested value of their Cash Balance Account at separation from employment with OPPD. Employees hired after December 31, 2007, may make a one-time irrevocable election to have benefits determined based on the Cash Balance Option instead of the Traditional Option before the end of their first year of continuous service. In 2009, active Retirement Plan members were allowed to make a one-time, irrevocable election to have benefits determined based on the Cash Balance Option. As of December 31, 2009, 100 active members have selected the Cash Balance Option.

**Funded Status and Funding Progress** - Employees contributed 5.6%, 4.8% and 4.0% of their covered payroll to the Retirement Plan for the years 2009, 2008 and 2007, respectively. The contribution rate for employees will increase to 6.2% for 2010. OPPD is obligated to contribute the balance of the funds needed on an actuarially determined basis.

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, requires employers to follow an actuarial approach for the accounting and reporting of the annual cost of pension benefits and the related outstanding liability. This approach requires paying to a pension plan an amount that is expected to be sufficient, if invested now, to finance the benefits of employees during their retirement. Pension benefits are a part of the compensation that employees earn each year, even though these benefits are not paid until after employment has ended. Therefore, the cost of these future benefits is recognized while the employee is still working.

The Present Value of Accrued Plan Benefits (PVAPB) is the present value of benefits based on compensation and service to that date. This is the amount the Retirement Plan would owe participants if the Retirement Plan were frozen on the valuation date. The PVAPB is presented in the table below based on the actuarial valuation as of January 1 (dollars in thousands):

| | Actuarial Value of Assets | Present Value of Accrued Plan Benefits (PVAPB) | Over/(Under) Funded PVAPB | Funded Ratio | Covered Payroll | Over/(Under) Funded PVAPB as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (a-b) | (a/b) | (c) | ((a-b)/c) |
| 2009 | $698,111 | $782,059 | $(83,948) | 89.3% | $177,297 | (47.3%) |
| 2008 | $695,742 | $702,388 | $ (6,646) | 99.1% | $166,760 | (4.0%) |
| 2007 | $656,474 | $653,802 | $ 2,672 | 100.4% | $163,124 | 1.6% |

The Actuarial Accrued Liability (AAL) is the present value of retirement benefits adjusted for assumptions for future increases in compensation and service attributable to past accounting periods. The funded ratio for the AAL was lower than the PVAPB because the AAL method assumes future compensation and service increases. The annual contributions to the Retirement Plan consist of the cost for the current period plus a portion of the unfunded accrued liability. The AAL is presented in the table below based on the actuarial valuation as of January 1 (dollars in thousands):

| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAL Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| 2009 | $698,111 | $963,325 | $265,214 | 72.5% | $177,297 | 149.6% |
| 2008 | $695,742 | $868,898 | $173,156 | 80.1% | $166,760 | 103.8% |
| 2007 | $656,474 | $819,314 | $162,840 | 80.1% | $163,124 | 99.8% |

**Annual Pension Cost and Actuarial Assumptions** – The annual pension cost and required contribution by OPPD was $45,278,000, $33,448,000 and $32,016,000 for the years ended December 31, 2009, 2008 and 2007, respectively. There was no net pension obligation for any of the three years ended December 31, 2009. Retirement Plan contributions by OPPD employees for their covered annual payroll were $10,135,000, $8,153,000 and $6,462,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

The Entry Age Normal (Level Percent of Pay) cost method was used to determine contributions to the Retirement Plan. Under this actuarial method, an allocation to past service and future service is made by spreading the costs over an employee's career as a level percentage of pay. The actuarial value of Retirement Plan assets was determined using a method which smoothes the effect of short-term volatility in the market value of investments over approximately five years. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the Board of Directors. Ad-hoc cost-of-living increases granted to retirees and beneficiaries are amortized in the year for which the increase is authorized by the Board of Directors. Except for the liability associated with cost-of-living increases, the unfunded actuarial accrued liability is amortized on a level basis (closed group) over 15 years. For the actuarial valuation as of January 1, 2009, the healthy mortality table was changed from the 1994 Uninsured Pensioners Mortality Table to the RP-2000 Combined Healthy Mortality Table projected to the valuation date, and the disabled mortality table was changed from the 1977 Railroad Board Described Mortality Table to the RP-2000 Disabled Retiree Mortality Table. Other actuarial assumptions are presented in the table below based on the actuarial valuation as of January 1:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Investment return (discount rate) | 8.00% | 8.20% | 8.20% |
| Average rate of compensation increase | 5.20% | 5.20% | 5.20% |
| Ad-hoc cost-of-living adjustment | 1.00% | 1.00% | 1.00% |

OPPD provides for other employee benefit obligations to allow certain current and former employees to retain the benefits to which they would have been entitled under OPPD's Retirement Plan, except for federally mandated limits and to provide supplemental pension benefits. The related pension expense, fund balance and employee benefit obligation were not material for any of the three years ended December 31, 2009.

**DEFINED CONTRIBUTION RETIREMENT SAVINGS PLAN – 401(k)/457**

OPPD sponsors a Defined Contribution Retirement Savings Plan – 401(k) (401k Plan) and a Defined Contribution Retirement Savings Plan – 457 (457 Plan). Both the 401k Plan and 457 Plan cover all full-time employees and allow contributions by employees that are partially matched by OPPD. The 401k Plan's and 457 Plan's assets and income are held in an external trust account in the employee's name. OPPD's matching share of contributions was $7,334,000, $6,581,000 and $5,809,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The employer maximum annual match on employee contributions was $4,000, $3,500 and $3,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

**POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

OPPD has two separate plans for Other Post Employment Benefits (OPEB). For post employment health care benefits, OPEB Plan A is for employees hired prior to January 1, 2008, and OPEB Plan B is for employees hired after December 31, 2007. OPEB Plan A provides post employment life insurance benefits to qualifying employees.

**OPEB Plan A**

**Plan Description** – OPEB Plan A (Plan A) provides post employment health care benefits to retirees, surviving spouses, employees on long-term disability and their dependents and life insurance benefits to retirees and employees on long-term disability. Health care benefits are based on the coverage elected by the Plan A members. OPPD's Medical Plan becomes a secondary plan when the members are retired and eligible for Medicare benefits. Substantially all full-time employees of OPPD hired prior to January 1, 2008, participate in OPEB Plan A. As of January 1, 2009, 1,346 of the 3,741 total members were receiving benefits.

**Funded Status and Funding Progress** – Plan A members are required to pay a monthly premium based on the elected coverage and the respective premium cost share agreement at the time of retirement. OPPD contributes the balance of the funds needed on an actuarially determined basis.

Prior to 2007, OPPD recognized the cost of OPEB on a pay-as-you-go basis. GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, required OPPD to recognize OPEB costs using an actuarial approach similar to OPPD's Retirement Plan.

The Actuarial Accrued Liability (AAL) is the present value of benefits attributable to past accounting periods. The AAL was $277,823,000, $280,845,000 and $287,104,000 as of January 1, 2009, 2008 and 2007, respectively. The AAL is presented in the table below based on the actuarial valuation as of January 1 (in thousands):

| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAL Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| 2009 | $28,239 | $277,823 | $249,584 | 10.2% | $177,297 | 140.8% |
| 2008 | $16,657 | $280,845 | $264,188 | 5.9% | $166,760 | 158.4% |
| 2007 | $ - | $287,104 | $287,104 | - | $163,124 | 176.0% |

**Annual OPEB Cost and Actuarial Assumptions** – The annual OPEB cost and annual required contribution (ARC) for OPEB Plan A was $22,050,000, $23,089,000 and $27,304,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The accounting standard requires recognition of an OPEB liability on the balance sheet only for the amount of any unfunded ARC. Since OPPD funded the entire ARC, there was no net OPEB obligation for any of the three years ended December 31, 2009. Contributions by Plan A members were $1,790,000, $1,564,000 and $1,341,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

The actuarial assumptions and methods used for the valuations on January 1, 2009, 2008 and 2007, were as follows:

- The pre-Medicare health care trend rates ranged from 8.5% initial to 5.0% ultimate for 2009, 9.0% initial to 5.0% ultimate for 2008 and 9.5% initial to 5.0% ultimate for 2007.
- The post-Medicare health care trend rates ranged from 10.0% initial to 5.0% ultimate for 2009, 10.5% initial to 5.0% ultimate for 2008 and 11.0% initial and 5.0% ultimate for 2007.
- The discount rate used for all three years was 7.85%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The average rate of compensation increase used for all three years was 5.2%.
- The actuarial cost method used was the Projected Unit Credit.
- Amortization for the initial unfunded AAL and OPEB Plan changes was determined using a period of 30 years and the increasing method at a rate of 3.0% per year.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The healthy mortality table changed from the 1994 Uninsured Pensioners Mortality Table to the RP-2000 Combined Healthy Mortality Table projected to the valuation date in 2009. In 2008 and 2007, OPPD used the 1994 Uninsured Pensioners Mortality Table.

**OPEB Plan B**

**Plan Description** – OPEB Plan B (Plan B) provides post employment health care benefits to retirees and surviving spouses, and employees on long-term disability. Health care benefits are based on the coverage elected by the Plan B members and the balance in the member's hypothetical account, which is a bookkeeping account. The hypothetical accounts are credited with $10,000 upon commencement of full-time employment, $1,000 annually on the member's anniversary date and interest income at 5.0% annually. Plan B benefits are for the payment of OPPD's share of the members' health care premiums. OPPD's Medical Plan becomes a secondary plan when the members are retired and eligible for Medicare benefits. Plan benefits will continue until the member and eligible spouse cease to be covered under OPPD's Medical Plan, the member's hypothetical account is depleted or Plan B terminates, whichever occurs first. Benefits are forfeited for any member who fails to retire or who retires but does not immediately commence payments. Substantially all full-time employees of OPPD hired after December 31, 2007, participate in Plan B. As of December 31, 2009, there were 277 Plan B members. No members received benefits in 2009.

**Funded Status and Funding Progress** – In accordance with Plan B requirements for 2009 and 2008, OPPD funded $10,000 per member upon commencement of full-time employment and an additional $1,000 for each year of service completed. Members do not contribute to Plan B. The AAL was $1,308,000 and $550,000 as of December 31, 2009 and 2008, respectively. The AAL is presented in the table below based on the actuarial valuation as of December 31 (in thousands):

| | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Overfunded Accrued Liability (OAL) | Funded Ratio | Covered Payroll | OAL Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| | (a) | (b) | (a-b) | (a/b) | (c) | ((a-b)/c) |
| 2009 | $3,090 | $1,308 | $1,782 | 236.2% | $13,074 | 13.6% |
| 2008 | $1,635 | $ 550 | $1,085 | 297.3% | $ 4,129 | 26.3% |

**Annual OPEB Cost and Actuarial Assumptions** – OPEB Plan B was funded in excess of the ARC based on the Plan requirements. The annual OPEB cost was the ARC, with certain adjustments for the overfunding. The ARC for OPEB Plan B was $384,000 and $550,000 for the years ended December 31, 2009 and 2008, respectively. The annual OPEB cost was $429,000 and $550,000 for the years ended December 31, 2009 and 2008, respectively. There was an OPEB net asset of $1,911,000 and $1,019,000 as of December 31, 2009 and 2008, respectively.

The actuarial assumptions and methods used for the valuations on December 31, 2009 and 2008, were as follows:

- The discount rate used for both years was 5.5%, which was based on OPPD's expected long-term return on assets used to finance the payment of plan benefits.
- The actuarial cost method used was the Pure Unit Credit.
- Amortization for gains/losses was determined using a closed period of 15 years and the level dollar method.
- The healthy and disabled mortality table used was the RP-2000 Combined Healthy Mortality Table projected to the valuation date.

**SELF-INSURANCE HEALTH PROGRAM**

OPPD provides employee health care and life insurance benefits to substantially all active employees. There were 2,245 and 2,249 active employees with medical coverage as of December 31, 2009 and 2008, respectively. An Administrative Services Only (ASO) Health Insurance Program is used to account for the health insurance claims. With respect to the ASO program, reserves sufficient to satisfy both statutory and OPPD-directed requirements have been established to provide risk protection (Note 3). Additionally, private insurance has been purchased to cover claims in excess of 120% of expected levels.

Health care expenses for active employees (reduced by premium payments from participants) were $21,990,000, $19,320,000 and $21,910,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

The total cost of life and long-term disability insurance for active employees was $1,807,000, $1,632,000 and $1,608,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

The balance of the Incurred But Not Presented Reserve (IBNP) was $2,707,000 and $2,067,000 at December 31, 2009 and 2008, respectively.

Audited financial statements for the Retirement Plan, Defined Contribution Retirement Savings Plans and OPEB Plans may be reviewed by contacting the Pension Administrator at OPPD's Corporate Headquarters.

## 7. NC2 PARTICIPANT DEPOSITS

Nebraska City Station Unit 2 (NC2) Participants were given the option to provide their own funds or to use OPPD Separate Electric System Revenue Bonds to fund their share of construction and start-up costs. In addition, since commercial operation, Participants have provided funds for capital renewals and expenditures. This liability represents the amount that the Participants' funds, including interest, exceeded allocated costs. NC2 Participant deposits were $13,713,000 and $29,709,000 as of December 31, 2009 and 2008, respectively.

## 8. POLLUTION REMEDIATION OBLIGATIONS

OPPD implemented the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, in 2008. Beginning equity was reduced $675,000 for pollution remediation obligations as of January 1, 2008. OPPD's pollution remediation obligations for current liabilities were $205,000 and $1,010,000, and the long-term portion was $241,000 and $140,000 as of December 31, 2009 and 2008, respectively. The estimated outlays were based on engineering estimates and previous contracts for similar services. Additional information on these obligations is provided below.

Petroleum hydrocarbons were found in the soil and groundwater at the Sarpy County Station. To comply with regulatory requirements of the Nebraska Department of Environmental Quality (NDEQ), OPPD commenced full-scale remediation in July 2008, utilizing a vacuum extraction system. This system is expected to be in operation through 2012 with projected outlays in 2010 of $65,000 and $102,000 over the next few years.

The Fort Calhoun Station has two sanitation lagoons with residual sludge that is slightly above normal background radiation levels typically found in the environment. OPPD will remove this sludge using a vacuum extraction system. The remediation will occur in 2010 and 2015 with expected outlays of $140,000 for each lagoon, for a total of $280,000.

Due to elevated sulfate and pH levels in the groundwater at the North Omaha Station, OPPD was required by the NDEQ to remove contributing wastes (coal ash, water treatment wastes and coal dust) and reline an ash-water decanting and retention pond. This remediation occurred in 2009.

## 9. UTILIZATION OF RESERVES

The Debt Retirement Reserve was used to provide additional revenues and funding for capital expenditures and debt retirement in the amount of $13,000,000, $20,000,000 and $27,000,000 for the years ended December 31, 2009, 2008 and 2007, respectively.

## 10. COMMITMENTS AND CONTINGENCIES

OPPD's commitment for the uncompleted portion of construction contracts was approximately $108,590,000 at December 31, 2009.

OPPD has power sales commitments which extend through 2027 of $130,844,400 at December 31, 2009. OPPD has power purchase commitments which extend through 2020 of $114,174,100 at December 31, 2009. These amounts do not include the Participation Power Agreements (PPAs) for the Nebraska City Station Unit 2 or OPPD's portion of the Nebraska Public Power District (NPPD) wind-turbine facility.

OPPD has 40-year PPAs with seven public power and municipal utilities (the Participants) for the sale of half of the 682.2-MW net capacity of the Nebraska City Station Unit 2. The Participants have agreed to purchase their respective shares of the output on a "take-or-pay" basis even if the power is not available, delivered to or taken by the Participants. The Participants are subject to a step-up provision, whereby in the event of a Participant default, the remaining Participants are obligated to pay a share of any deficit in funds resulting from the default. OPPD has an NC2 Transmission Facilities Cost Agreement with the Participants which addresses the cost allocation, payment and cost recovery for delivery of their respective power.

OPPD has a PPA with NPPD for a 16.8% share, or approximately 10 MW, of a 59.4-MW wind-turbine facility near Ainsworth, Nebraska. OPPD is obligated, on a "take-or-pay" basis, under the PPA to make payments for purchased power even if the power is not available, delivered to or taken by OPPD. In the event another power purchaser defaults, OPPD is obligated, through a step-up provision, to pay a share of any deficit in funds resulting from the default. OPPD's commitment through 2025 under the PPA is $28,330,900 at December 31, 2009.

OPPD has coal supply contracts which extend through 2013 with minimum future payments of $289,195,000 at December 31, 2009. OPPD also has coal transportation contracts which extend through 2013 with minimum future payments of $392,781,000 at December 31, 2009. These contracts are subject to price adjustments.

Contracts for uranium concentrate and conversion services are in effect through 2016 with estimated future payments of $50,906,000 at December 31, 2009. Contracts for the enrichment of nuclear fuel are in effect through 2013 with estimated future payments of $52,875,000 at December 31, 2009. Additionally, OPPD has contracts through 2012 for the fabrication of nuclear fuel assemblies with estimated future payments of $10,391,000 at December 31, 2009.

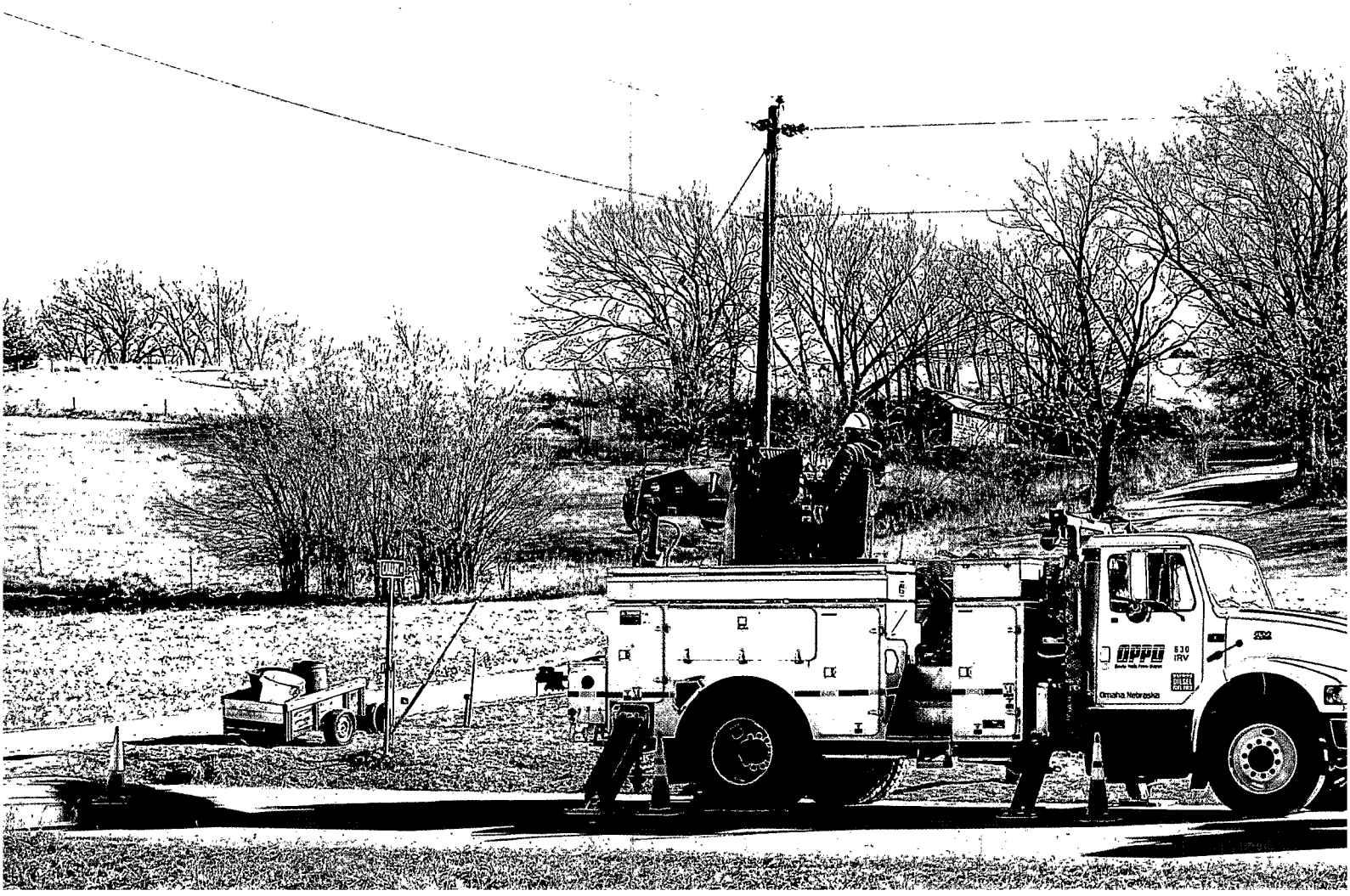
In 2006, OPPD entered into an agreement with the University of Nebraska-Omaha (UNO) to fund an Energy Saving Potential program to be administered by UNO for five years. This program is designed to reduce energy usage by residential consumers through conservation. OPPD committed up to $500,000 per year for the five-year program.

Under the provisions of the Price-Anderson Act at December 31, 2009, OPPD and all other licensed nuclear power plant operators could each be assessed for claims and legal costs in the event of a nuclear incident in amounts not to exceed a total of $117,495,000 per reactor per incident with a maximum of $17,500,000 per incident in any one calendar year. These amounts are subject to adjustment every five years in accordance with the Consumer Price Index.

OPPD is engaged in routine litigation incidental to the conduct of its business and, in the opinion of Management, based upon the advice of General Counsel, the aggregate amounts recoverable or payable from OPPD, taking into account amounts provided in the financial statements, are not significant.

## 11. OTHER - NET

Other – Net includes reimbursements from the Federal Emergency Management Administration for certain expenses incurred related to storm restoration efforts of $1,552,000, $9,871,000 and $1,010,000 for the years ended December 31, 2009, 2008 and 2007, respectively.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